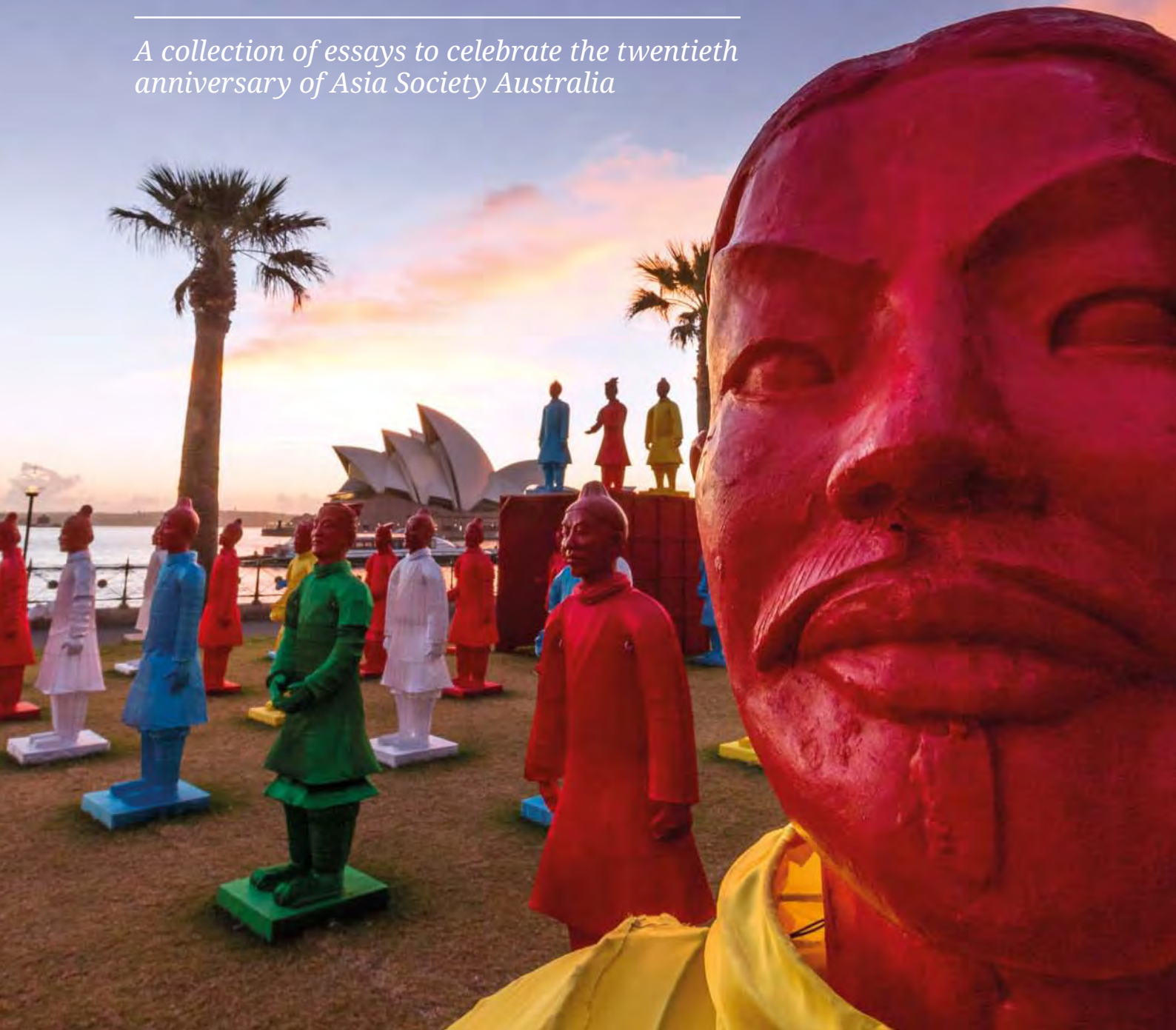


# DISRUPTIVE ASIA ASIA'S RISE AND AUSTRALIA'S FUTURE

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*A collection of essays to celebrate the twentieth anniversary of Asia Society Australia*



# About Asia Society Australia

*For 60 years globally and 20 years in Australia, Asia Society has been building bridges of understanding between leaders and change-makers of Asia, Australia and the United States.*

Asia Society Australia is Australia's leading national centre for engagement with Asia and a part of Asia Society, a global non-profit organisation and the leading force in forging closer ties between Asia and the West through arts, education, policy and business.

Asia Society Australia was launched in 1997 by then Prime Minister John Howard to broaden interest and understanding in Australia of Asian countries and their politics, business and culture.

The establishment of the Asia Society Australia was led by Hugh Morgan AC (then CEO of WMC Limited) and Richard Woolcott AC (former Secretary of the Department of Foreign Affairs and Trade) in recognition of the need to promote greater understanding about the countries, peoples and cultures of Asia and the Pacific region.

Founded in 1956 by John D. Rockefeller 3rd, Asia Society is a non-partisan, non-profit institution with headquarters in New York, and centres in Hong Kong, Houston, Los Angeles, Manila, Mumbai, San Francisco, Seoul, Shanghai, Sydney, Washington, DC and Zürich. Across the fields of arts, business, culture, education, and policy, Asia Society provides insight, generates ideas, and promotes collaboration to address present challenges and create a shared future.

[asiasociety.org/australia](https://asiasociety.org/australia)



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# Welcome

## *Dear Asia Society Australia Members, Supporters and Friends,*

2017 marks the 20th anniversary of Asia Society Australia. It is a significant milestone and an opportunity to reflect on our achievements and the work ahead. Much has changed since our founders – Hugh Morgan AC and Richard Woolcott AC led the development of Asia Society's Australian Centre.

The share of the global GDP for developing and advanced Asian economies has grown from 25 per cent in 1997 to a projected 38 per cent in 2017. Australia's total trade with Asia has nearly quadrupled and is now almost 63 per cent of all trade compared with 48 per cent. China's trade with Australia alone has increased by 1500 per cent. In permanent immigration, Asia accounted for 33 per cent in 1997 and 47 per cent in 2016. Approximately 16 per cent of Australian students study abroad, and a third of them head to Asia, while in 1997 the number was negligible.

Yet despite the progress we have made, there is still much to be done. Our investment in Asia continues to be disproportionately low and our trade lacks sectoral diversity. The teaching and learning of Asian languages has declined since 1997. Populism and intolerance are on the rise. Our Asian Australian community is underrepresented in the leadership of our institutions.

It makes our mission of building an Asia-connected Australia ever more relevant. For 20 years Asia Society Australia has been consistently recognised for the quality of its insights and the ability to bring together Australian and regional leaders, networks and communities in a dialogue on the critical issues in Australia-Asia engagement. As the leading Australian organisation with global and regional DNA dedicated solely to Australia's engagement with Asia, our responsibility to lead and inform a conversation about Asia in Australia has never been more critical.

It is a privilege to share with you our new publication *Disruptive Asia*. It is a collection of essays from leading Australian opinion-shapers and new voices on how Asia's rise is altering Australia's foreign policy, economy and society and how Australia should respond. *Disruptive Asia* presents new perspectives on Australia's place in the Asia-Pacific region against the backdrop of the changing world order, a fragile global economy and the rapidly growing mobility of people, technologies and capital. We hope that *Disruptive Asia* will be a live, on-going conversation about Australia's future in the region, as well as our domestic transformations.

We are grateful to all our members, supporters and friends for making Asia Society Australia a successful, growing, dynamic social enterprise that it is today. We sincerely thank the authors and contributors to this publication for being so generous with their time and ideas.

We look forward to the next twenty years of building Asia-connected Australia.

**Doug Ferguson**

*Chairman  
Asia Society Australia*

**Philipp Ivanov**

*Chief Executive Officer  
Asia Society Australia*

# Australia. Disrupted.



*Will Australia maintain its dynamism and be an integral, active and agile member of the Asian community of nations? Or will it let itself be shaped by external forces and drift to the periphery, watching the unfolding drama of power and wealth playing out northwards?*

Everything is changing. An undeniable Buddhist concept comes alive on anniversaries, when continuity and change inevitably clash. When John D. Rockefeller 3rd founded Asia Society in 1956, a continent-sized country in the southern flank of the Indo-Pacific was refusing to recognise its geography and destiny of proximity to Asia. Australia emerged

from World War II with a conviction that it needed more people to defend itself and prosper, but it also wanted those people to be European. The fear of an Asian population influx manifested itself in the so-called White Australia Policy that favoured migration from the English-speaking and Western European countries.

But the 1950s also saw the first steps of Australia's long and continuing journey to form its new Asia-bound identity. In 1957, Australia and Japan – the country Australia had fought only a decade prior – signed the landmark Agreement on Commerce which paved the way for what is now a remarkable bilateral partnership. The agreement was possibly our first step towards a realisation that Asia matters to our future prosperity. In 1950 the Government instigated the visionary Colombo Plan scholarships, which enabled students from Asian countries to study at Australian universities – the project that would ultimately shape Australia's highly globalized and entrepreneurial higher education sector.

Over four decades later, in 1997 when Asia Society Australia was founded, the Government's Foreign and Trade Policy White Paper *In the National Interest* proclaimed: "Australia has interests across the globe but its most important strategic and economic interests lie in the Asia Pacific", solidifying the new orthodoxy of Australia's thinking about its place in the world.

In 2017 Australia is unrecognisable. Its gaze is directed northward where the global centre of gravity has shifted in the last two decades. Australia's identity – always a work in progress for any young multicultural nation – is being reshaped by the power of proximity to a dynamic Asia. The Colombo Plan has been reborn as the New Colombo Plan – an equally farsighted project by foreign minister Julie Bishop – but this time it works in reverse, sending Australian students to Asia.

The proximity and engagement debates have been largely resolved, in part by the forces beyond Australia's control, as economic and strategic power shifts to Asia. But one question remains – what kind of nation Australia wants to be and what role does it want to play in Asia?

## Asia has arrived

Sixty years after the Asia Society's founding, the world is preoccupied with disruption, technological revolution and acute political and economic uncertainty. These forces are ubiquitously felt – in the way we vote, trade, work and communicate. They are threatening to unravel established political structures and business models, while creating new alliances and conflicts, but also generating new fortunes and breathtaking economic prospects. They are transforming human and social ties, keeping us constantly connected to each other, in defiance of distance or cultural and linguistic hurdles, while creating isolated, self-sustaining political tribes and eco-chambers of opinion.

But for Australia Asia's current renaissance is a disruptive force of a more profound variety. And there is no better living observatory to witness it than in Sydney. Walking the length of Pitt Street

in Sydney's heart reveals a story of growing economic and social connectivity between Australia and its northern neighbours. It feels like Asia has arrived in Australia.

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But behind the streetscape, flavours and sounds, there are more powerful forces at play. Asia's resurgence and urbanisation are fuelling a voracious appetite for energy and resources and an unstoppable quest by Asia's new middle class for better lifestyles, services and experiences.

The statistics reflect the dramatic transformation of a country which found itself at the right time and place, but also with the entrepreneurial spirit and foresight to recognize this opportunity. By 2017, six of Australia's top ten two-way trading partners were in Asia (excluding the US and New Zealand), with China leading the pack with a staggering trade value at \$150 billion in 2015-16, representing almost a quarter of Australia's total global trade.<sup>1</sup> In the last three years, Australia has struck free trade deals with China, Japan and Korea, smashing tariffs and barriers and providing further incentives to business to unlock these markets. In 2015, seven of Australia's ten highest-value countries for inbound tourists were in Asia, and Asian markets are expected to continue driving growth in tourism.<sup>2</sup> Meanwhile, as the commodity boom withers, Australia's fortunes will depend on how connected, innovative and responsive it can be to Asia's shifting patterns of growth and consumer demand.

Australian society in 2017 also looks markedly different from 1956. Asian-born migrants now make up a third of the overseas-born population.<sup>3</sup> Over the last two decades Australian education has been transformed by globally nomadic students – mainly from Asia – seeking education opportunities outside their high-pressure competitive societies. Australia now educates almost half a million international students, and almost ten per cent of all Chinese students abroad.

<sup>1</sup> Department of Foreign Affairs and Trade (2015-16)

<sup>2</sup> Tourism Research Australia (2016)

<sup>3</sup> Australian Bureau of Statistics (2012)

## Strategic weight is shifting with economic activity

As the economic centre of gravity shifts eastwards, so does a strategic weight. Australia, which often considered itself to be on the periphery of the global power distribution, now finds itself in the middle of the greatest geopolitical rivalry of the 21st century. A close ally and security partner of the US, Australia's fortunes are increasingly dependent on China, its largest trading partner and a global and Asia-Pacific power willing to reassert its dominance of the region and challenge the decades-long American supremacy. Many of the Asian nations find themselves in a similar dichotomy, responding with hedge and engage strategies – balancing their significant economic interdependency with China with closer security

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relationships with the US. As the US-China competition in Asia intensifies, nations like Australia will be forced to do much more deal-making and alliance-building than in the past decades of a benevolent China and a dominant US. 2016 marked a curious milestone in this shifting paradigm – with the revelations of China's sustained political, business, media and community efforts to influence the Australian elite and public opinion

on China's stance in the South China Sea. It is not the first effort and only the beginning of a new cycle in Australian history when we'll be living in the region, strongly influenced by a major power with values and a political system markedly different from ours. Learning to push back against interference in our political process and standing up for our interests and values will become a new dimension of our political life and diplomacy.

From the first steps towards greater political and economic relations with Asia in the 1950s to Ross Garnaut's seminal report *Australia and the northeast Asian ascendancy* in 1989 and Prime Minister Julia Gillard's comprehensive *Australia in the Asian Century* White Paper in 2013, Australia's engagement with the region has been framed as one between a distinct outsider and a culturally and politically different region. In 2017 – it seems – the choice has been made, and Australia is becoming an integral part of the changing Asia, albeit a distinct one at that.

It is unlikely that other regions will replace Asia as our key trading partners and investment sources in the foreseeable future. It is also difficult to imagine that China's influence in our region (and therefore on our own strategic and political outlook) will diminish. Our migration and demographic patterns point to a different cultural make-up of our society in the future, although it is not yet reflected in our political, intellectual and business elite. While we are still debating our place in the region and how best to connect with it, our neighbours have recognised the value and potential of our market, the uniqueness of our natural environment, and the power of our democratic and open society. Asia has arrived.

## Outpost or hub?

So what kind of an Asia-Pacific nation does Australia aspire to be? What can Australia – undergoing social, economic and cultural transformations – do to prosper in this brave new world of shifting power, unravelling order and greater co-dependency?

A smarter and more pragmatic Australia, plugged into Asia and proud of its multiculturalism and diversity, confidently and skillfully utilising the economic potential of the region and our own strengths, while being an activist, agile, well-

informed and creative diplomatic player in the region, will have a good chance to prosper in the Asian Century.

What does it involve in practice?

First and foremost, it will require strong leadership from our politicians, public service, business and non-government communities, recognising that our engagement with Asia is a national, long-term and multidimensional project. Our connectivity with the region is not a distant, foreign policy

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issue, but a domestic policy imperative, inseparable from our national political and economic agenda.

Second, Australia needs to be committed to economic reform and a reinvention of its economy, despite the diminishing opportunity to reach a political consensus on the directions of these reforms. A strong, open and resilient economy will remain our number one global asset. It was evident in the Hawke-Keating-Howard eras when

our leadership strategically and politically linked a closer, more activist engagement with Asia and the opening-up and reform of our economy. We need to reimagine and invest in the globally competitive sectors of our economy which can respond to the demand of Asia's rising new middle class – education and health services, tourism, agriculture and niche advanced manufacturing and technology industries.

In the medium term, our focus should be on education and our capacity to understand Asia, harnessing the potential of our multicultural community and pursuing bold, creative and independent diplomacy.

### More investment in Asian competence

Firstly, we need to tool up. We have to reverse a terminal decline in the teaching of Asian languages and studies in our schools and universities, even if it requires some difficult top-down decisions, not initially corresponding with students and parents' demand. Understanding our neighbours' languages and societies, at least at a basic level, will undoubtedly boost our capabilities and

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competitiveness as a knowledge nation, and help us navigate a much less predictable region.

Australia will also need to invest in its diplomatic and public service capabilities to drive pragmatic policy-making on Asia. Our universities have been steadily building expertise on Asia and some of it is second to none, but the country focus and resourcing is often uneven, leading to diminishing capabilities in Indonesian,

Japanese, South and South East Asian studies. Surprisingly, Asia expertise in our think-tanks is remarkably thin. We should encourage and enable greater government and philanthropic investment in Asia expertise across education, government and the non-profit sector. A greater flow of talent and ideas between the public service, universities, think tanks and NGOs through secondments, fellowships and affiliations will also help in the ideas generation for building a national approach to our engagement with Asia.

Our approach to encouraging greater business engagement with Asia should be different. The previous significant government investment in

Asia business capabilities has not shown any demonstrable substantial increase in the Australian business engagement with Asia. Ultimately, it is the market (and a myriad of economic factors going into individual business decisions to invest, enter or retreat) and a mindset that will determine our business activity towards Asia. The government's role is to provide a policy platform to enable such activity, such as infrastructure, free trade agreements, in-country support, information and advice.

Where government investment is needed most is in building education, cultural and broader intellectual competences to understand Asia that will ultimately alter the mindset and cultivate new champions and leaders.

### Harnessing Australian-Asian leadership

Secondly, Australia will need to continue building a multicultural, diverse and inclusive society and draw on the leadership and expertise of our vast and fast-growing Asian-Australian communities.

Australia is arguably the most diverse, multicultural and inclusive society in Asia. It is an achievement that we need to celebrate and showcase to our partners in the region and beyond. It is a foreign policy, economic and social asset. However, this diversity is not fully represented in the leadership of our institutions. Unlocking the Asian-Australian (and other non-European) leadership in our organisations will boost a diversity of perspectives, generate insights and new approaches to our relationship with Asia, as well as to our domestic challenges. We have a capacity and the momentum is building to harness the enormous intellectual and cultural potential of our Australian-Asian community

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in the same way Australia has mobilised to address gender inequality.

There is also a case for a national centre which will bring together education, community and policy dimensions of Australia-Asia relations – a prominent public space and a national hub celebrating Australia's geographic, cultural and economic connectivity with

Asia, and which will serve as our intellectual gateway to the region. The symbolism of such a centre will not be lost on our culturally-conscious neighbours.



## Creative, open-minded diplomacy

Finally, Australia will need to ramp up its diplomacy in the region and accentuate the Asia focus of our foreign policy. The election of Donald Trump as the US president and a continuing consolidation of power in the hands of Chinese President Xi Jinping, against the backdrop of a fragile global economy, rising populism and nationalism, and the growing global mobility of people, technologies and capital is likely to mark a shift towards a more transactional and competitive regional order, in which deals and interests will matter more than values. This is not the world order Australia wants to see and help to shape, but it may be forced upon it.

If this is the era we are entering, looking after our economic interests will be paramount. Australia already has a strong and sophisticated network of bilateral free trade agreements in Asia. It should continue focusing on bilateral agreements that are achievable – including with India and Indonesia – to inject economic and political energy into key bilateral relationships in Asia. But our strategic focus should continue to be on high-standard, multilateral, comprehensive regional deals, including the Regional Comprehensive Economic Partnership. We should also examine alternative frameworks, including Chinese initiatives, and participate in those with which our interests align.

Foreign investment will continue to be one of the bloodlines of the Australian economy, and we should fully utilise the opportunities arising from the new, globally mobile Asian capital. It will be important to ensure Australia has the region's and one of the world's most attractive and competitive foreign investment regimes. But we also should be direct

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*It will be important to ensure Australia has one of the world's most attractive and competitive foreign investment regimes.*

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with potential investors about the areas of our economy in which foreign investment will be contrary to our national interests. We should test new and strengthen existing strategic alliances of interests in Asia. We should pursue a deeper and more imaginative engagement with the Association of Southeast Asian Nations (ASEAN) on economic and strategic issues. The upcoming ASEAN-Australia Summit in Sydney in 2018 provides a unique opportunity to upgrade Australia's engagement with ASEAN. We should seek comprehensive bilateral strategic partnerships with Indonesia, India and South Korea as well as continue improving the existing ones with Singapore and Japan. We should

not shy away from championing new ideas for increased dialogue and coordination on economic and security issues in Asia, using Australia's standing as a reliable partner and active contributor. By building deeper and more comprehensive relationships in Asia, Australia can achieve multiple objectives, foremost among them is diversifying our regional economic and security risks, while easing the rhetorical overload of being caught in the China-U.S. dichotomy.

The Australia-China relationship will continue to be our most important and complex. Over the years Australia and China have successfully built a wide-ranging bilateral architecture through the Comprehensive Strategic Partnership. Now is the time to redouble our efforts in making it work for us.

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While our differences on the vision for the regional order will remain, they should not be our single preoccupation. The relationship still has a significant untapped potential in both economic and political spheres. Australia and China can deepen their partnership in investment, global economic governance and security, trade, maritime economy and education.<sup>4</sup> We share with China a commitment to

open global trade which was responsible for making both our nations rich, our economies open and our bilateral relationship so remarkable. Can our joint commitment to an open international trading regime be a building block of the relationship with China at a regional and global level?

There is also a case to strengthen and better resource the existing mechanisms of cooperation with China – such as the Strategic Economic Dialogue, Foreign and Strategic Dialogue, Australia-China High-Level Dialogue, Australia-China Council, Australian participation in the Asian Infrastructure Investment Bank and other bilateral and regional platforms – to build trust, grow and diversify our links with Chinese institutions and leaders and improve our understanding of Chinese thinking. A pragmatic and open relationship with China – based on the understanding of points of disagreements and areas of mutual interest – will be crucial for Australian interests in the emerging global order.

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<sup>4</sup> Peter Drysdale, Zhang Xiaoqiang, Australia-China Joint Economic Report (ACJER)

Australia's alliance with the United States has been the bedrock of Australian foreign policy since the World War II. But as with any other relationship, it evolves and its parameters are shaped by the leaders behind the alliance and the changing regional circumstances. Our key priority in the next four years will be using our influence and resources in Washington and Asia to prevent a conflict or gradual deterioration of the relationship between the United States and China. We should continue advocating a constructive American engagement with Asia, but also highlight the shifts in economic and strategic power in the region, China's evolving role and our Asian partners' and own interests. Ultimately, our foreign policy will be increasingly more independent, but it does not have to equate with the end of ANZUS. It should however emphasise a strong, comprehensive focus on Asia and include

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a healthy dose of good risk management, scepticism and interests-driven contingency planning.

In this regard, our diplomatic network in Asia will be increasingly important as a more competitive global order emerges. It will not just be about the number of diplomatic posts we have in Asia, but how many staff and what expertise and skills we have at these posts. As is the case of the

teaching of Asian languages in our education system, it might be the time for a bipartisan, budget-proof, multi-year consensus on a sustainable increase in funding for our diplomatic service with a strong focus on our region.

Everything is changing, and at breakneck speed in our region. As Australia becomes increasingly intertwined with Asia – strategically, economically and socially, we need to be clear-headed about our options and challenges. In the age dominated by technology it seems appropriate to borrow some of its terminology to describe Australia in 2017. Will Australia step up to the challenge of the Great Asian Disruption and come out as a nation reinvented? Will this vibrant, entrepreneurial and multifaceted community maintain its dynamism and be an integral, active and agile member of the Asian community of nations? Or will it let itself be shaped by external forces, cling to the familiar

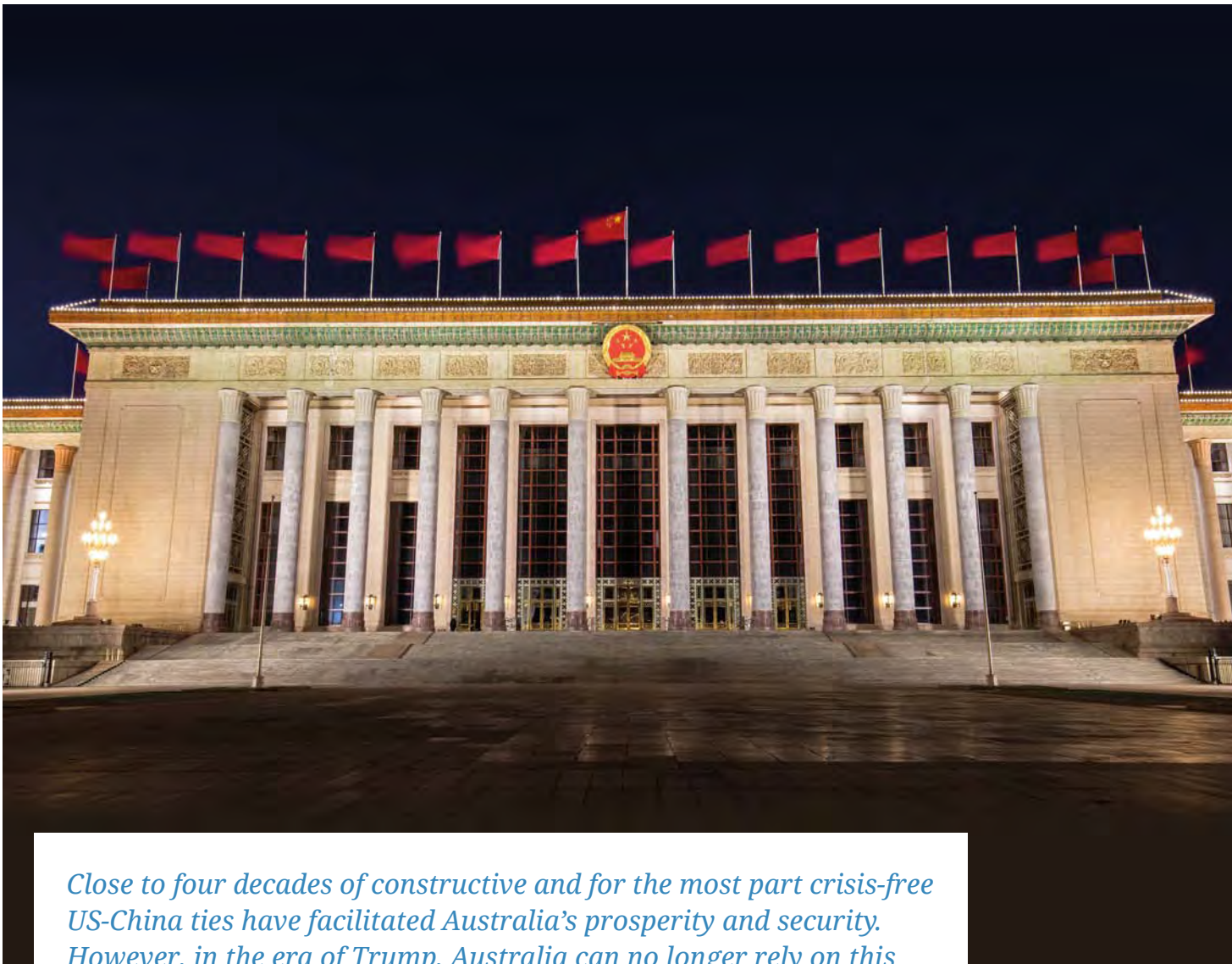
'lifestyle nation' reputation and drift to the periphery, watching the unfolding drama of power and wealth playing out northwards? Is it our choice to make at all? These are profound questions for Australia, and the ones we ought to be asking ourselves now.

*Philipp Ivanov is chief executive officer of the Asia Society Australia.*



LINDA JAKOBSON

# Time for a Plan-B on living with China



*Close to four decades of constructive and for the most part crisis-free US-China ties have facilitated Australia's prosperity and security. However, in the era of Trump, Australia can no longer rely on this ideal two-pronged existence.*

The ascendancy of Donald Trump is a wake-up call for Canberra. The government is now compelled to think deeply about how to most advantageously adjust to a rapidly evolving region. This is a challenge it has grappled with for some years now – but without a sense of urgency. That luxury vanished on November 9, 2016 when Trump emerged victorious in the American presidential election.

Of course government ministers, politicians at large, and public servants have all discussed the consequences for Australia of China's increased economic, political, and military power. Over the past ten years they have commissioned numerous assessments from both government insiders and outsiders. But as long as relations between the United States and China remained stable, most

policy-makers tended to speak in hypothetical terms about Australia's predicament. A sense of denial was palpable. Many politicians and public servants continued to hope that the balance of power and the way the region's nations interacted would somehow continue in the same ways they have done for the past thirty or more years.

Australia's lot before Trump was quite ideal. Close to four decades of constructive and for the most part crisis-free US-China ties have facilitated Australia's prosperity and security. Canberra had a very close relationship with its alliance treaty partner, the US, and at the same time for several years had kept its relationship with China on an even keel. China is its largest trading partner and increasingly an important regional player on a range of issues. However, in the era of Trump, Australia can no longer rely on this ideal two-pronged existence. Australia needs a Plan-B!

### Canberra's dual challenge: protecting interests and values

The Trump presidency injects not only urgency but also a new layer of complexity to the task of strategic planners. Part of the challenge remains the one which should have been front and centre for the past ten years, that is determining the mid- to long-term policies which best serve Australia's interests as China's economic, political and military power continues to grow and re-shapes relations within the region. But now with Trump as president, Canberra is confronted with unpredictable and possibly disruptive policies of the US and must decide how to best protect Australia's interests in the face of this unpredictability. This will require new thinking by the Australian

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*Part of the challenge is determining the mid- to long-term policies which best serve Australia's interests as China's economic, political and military power continues to grow and re-shapes relations within the region.*

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government as a whole, of individual ministers, and of public servants.

The politically mature and interdependent relationship between the United States and China will not be undone overnight. These two nations have learned to accommodate the changing power balance via constant dialogue and engagement. The relationship is like a ball woven tightly together

over the past 40 years by multi-coloured threads of varying textures and thicknesses. On any given day dozens of Chinese officials meet their counterparts in Washington and dozens of American officials are in Beijing. The two societies are bound together

by constant interactions between businessmen, scientists, environmentalists, artists, musicians, athletes, tourists, teachers and students.

However, this ball will start to unravel if the next four years are marked by continuous crisis between Beijing and Washington. Such an unravelling would place unsustainable pressure on Australia's two-pronged existence that relies on good relations with both the US and China. If again the US turns its back on the region for the next four years, an entirely new mindset will be needed by policy-makers and others in the region to ensure the region remains stable.

Even the most optimistic of observers note that the men who comprise Trump's inner circle of decision-makers on issues related to China are well known for their advocacy of harsh policies toward China. They have for years said that the US has done enough kowtowing to a rising China and needs to do its utmost to contain China's growing power. Ironically, the overwhelming sentiment among educated Chinese is that China has kowtowed to the West, and the US especially for the past four decades in order to modernise and now the moment has come to say, enough is enough.

### Values at the forefront

Australian decision-makers and their advisors have never been faced with quite the situation they find themselves in today. The occupants of both the White House and Zhongnanhai, the leaders' compound in Beijing, are intent on making their country great again. Domestic problems are serious in both countries. However different the American political system is from the one in China, in both countries the political system needs fixing. Both China's President Xi Jinping and Trump are ambitious. Both eschew values that Australians hold dear.

Under Xi's leadership Chinese authorities have tightened surveillance of citizens. They punish organisations and individuals who strive to expand intellectual debate, respect for the law, and media freedom. The domestic security services have more resources at their disposal and are more powerful. Nationalist rhetoric is allowed to dominate mainstream media. Xi has demonstrated that he is less risk-averse than his predecessor to convey to other countries that China will defend what it perceives as its sovereignty and maritime rights in its near seas.

It is always going to be problematic for Australians to accept the guiding principles of the People's Republic of China, a one-party authoritarian state led by the Communist Party of China. That challenge is not new. But who would have thought that the 45th

president of the US would be a man who publicly makes derogatory remarks about women and

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*The occupants of both the White House and Zhongnanhai, the leaders' compound in Beijing, are intent on making their country great again.*

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Muslims, among others, and ridicules democratic principles such as media freedom and the rule of law? Based on what we know about Trump, he is a bigot who does not hide his contempt for decency and he is xenophobic, sexist, racist, petulant, and avaricious (this description

is taken from Hugo Rifkind's commentary 11 January 2017 in *The Times* of London).

For decades Australian leaders have emphasised that the alliance between the US and Australia is founded on common interests and values. To quote Allan Gyngell, "values – a common commitment to democracy, the rule of law, a rules-based international system – have been the building blocks of trust, on which the whole alliance has rested." It is true that over the decades Australian prime ministers have disagreed at times with American presidents because Washington's policies in their view have not been in Australia's interests (for example, Gough Whitlam on US actions in Vietnam). Certainly there are also key issues, such as gun control and the death penalty, on which mainstream America and Australia disagree profoundly. But Australian politicians have not been confronted with a situation in which shared values cause fundamental tensions. For the next four (and possibly eight) years this discrepancy over values is

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*Australian politicians have not been confronted with a situation in which shared values cause fundamental tensions. For the next four (and possibly eight) years this discrepancy over values is bound to rankle Australian ministers.*

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bound to rankle Australian ministers. What prime minister wishes to be perceived as accepting or condoning Trump's quips and crass remarks?

Australian political leaders must prepare for a backlash from Australian voters against decisions the Australian government may feel compelled to take in support of the alliance. This situation could arise, for example, if the Australian government deems it in Australia's interests to

support an action by the US while Trump is at the same time causing an outcry over a statement or decision perceived as offensive to Australians' sense of justice or fairness.

During George W. Bush's presidency Australians became more critical of the US because of Bush's decision to invade Iraq. In the 2007 Lowy Institute Poll 69 per cent of respondents said that Bush caused them to feel unfavourable towards the US. But this anti-American sentiment stemmed to a great extent from a dislike of Bush's policies, not his values or any lewd comments about women or minorities.

It will be even more difficult to disregard public opinion's dislike for Trump's values in the event that the US takes actions, which are not perceived to be in Australia's interests. If the US provokes Australia's source of prosperity and comfortable living standards – namely China – many Australians may question the usefulness of the close alliance relationship. The government in Canberra could find itself challenged on two fronts – both values and security. Australia's multicultural democracy is on solid footing. But a Trump administration could pose a new kind of dilemma, which in turn could give rise to tensions within Australian diverse communities.

Of course positive and negative sentiment toward the US ebbs and flows while support among Australians for the alliance has remained steadfast for decades. Whether this support continues over the next four years will be a genuine litmus test for the alliance.

## **An independent foreign policy**

Over the past decades a diverse set of prominent Australians have called for Australia to pursue a more independent foreign policy. In recent years the debate in Australia about the desirability of extremely close ties with the US has loosely tracked the ups and downs of US-China ties. There was a surge of public commentary about the possible detrimental effects of having too cosy a relationship with the US in late 2011 and early 2012 after Barack Obama's speech in Australia's Parliament – the one in which he challenged the legitimacy of the Communist Party of China by stating that "prosperity without freedom is just another form of poverty." Malcolm Turnbull, who at the time was a member of parliament in opposition, warned that Australia needs to be careful not to allow a "doe-eyed fascination" with Obama distract from the national interest that requires Australia to truly maintain both an ally in Washington and a good friend in Beijing. Bob Carr, who some months later became foreign minister, publicly urged Prime Minister Julia Gillard not to "sign up to a mindless anti-China campaign. The alliance does not require it."

In the days following Trump's election victory many Australians publicly opined that Australia should grasp this opportunity to forge a more independent foreign policy. Nearly without exception Australians

acknowledge the importance of the alliance but today, spurred by the unpredictability of Trump, they see the need to stand back and re-think the *nature* of the alliance relationship. Shadow foreign minister Penny Wong has written: "Our collective task now is to carefully and dispassionately consider Australia's foreign policy and global interests over

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coming months, and how best to effect these within the alliance framework." She also said that "the alliance has not and cannot mean reflexive agreement with all that is espoused by one individual... and we should always be prepared to make clear our disagreement with political leaders who undermine" our values and interests.

The 'more independent foreign policy' camp emphasises the need to put greater resources into forging close ties in the region. Australia already invests considerably

in its relationships with China, Indonesia, Japan, South Korea, and India, but it should engage more comprehensively with all these countries as well as other smaller countries in the Indo-Pacific.

### Potential for closer China ties

Above all, Australia needs to find ways to tighten and build on its strategic comprehensive partnership with China. Understanding the aims and also the policies of China is paramount. Knowing the anxiety about Trump in Western capitals, one can only imagine the deep anxiety Trump evokes in Zhongnanhai. China needs friendly partners now more than ever and Australia should seize this opportunity. Despite the historically close ties between Australia and the US, Australia could – admittedly with much effort – move itself into a position with more clout in Beijing than in Washington.

There are many Australians who feel strongly that Australia has influenced US policy in the region and can continue to do so. Kim Beazley, former Labor MP and Australia's previous ambassador in Washington, is of that view. In his opinion Canberra must now do all it can to use its historically good relationship with Washington and seek to influence the direction of the

Trump administration's foreign and security policy. Former chief of the Australian Defence Force Angus

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*Above all, Australia needs to find ways to tighten and build on its strategic comprehensive partnership with China.*

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Houston has argued: "We should endeavour to quietly influence the incoming administration as to the importance and success of the current US strategy in this region, including the Australia-US alliance." These observers cling to the hope that yesterday's region will still broadly speaking be

tomorrow's region. It could prove unrealistic to think that Australian ministers and officials would be able to deter the impulses of hard-line conservatives in the Trump administration. Having said that of course it is still important to ensure that counterparts in Washington realise that a rift between the US and China is not in Australia's interests.

We must prepare for heightened US-China tensions. Trump antagonised China even before he took office. But equally importantly, Australia needs to invest time, money and know-how to increase the power of its voice in Beijing.

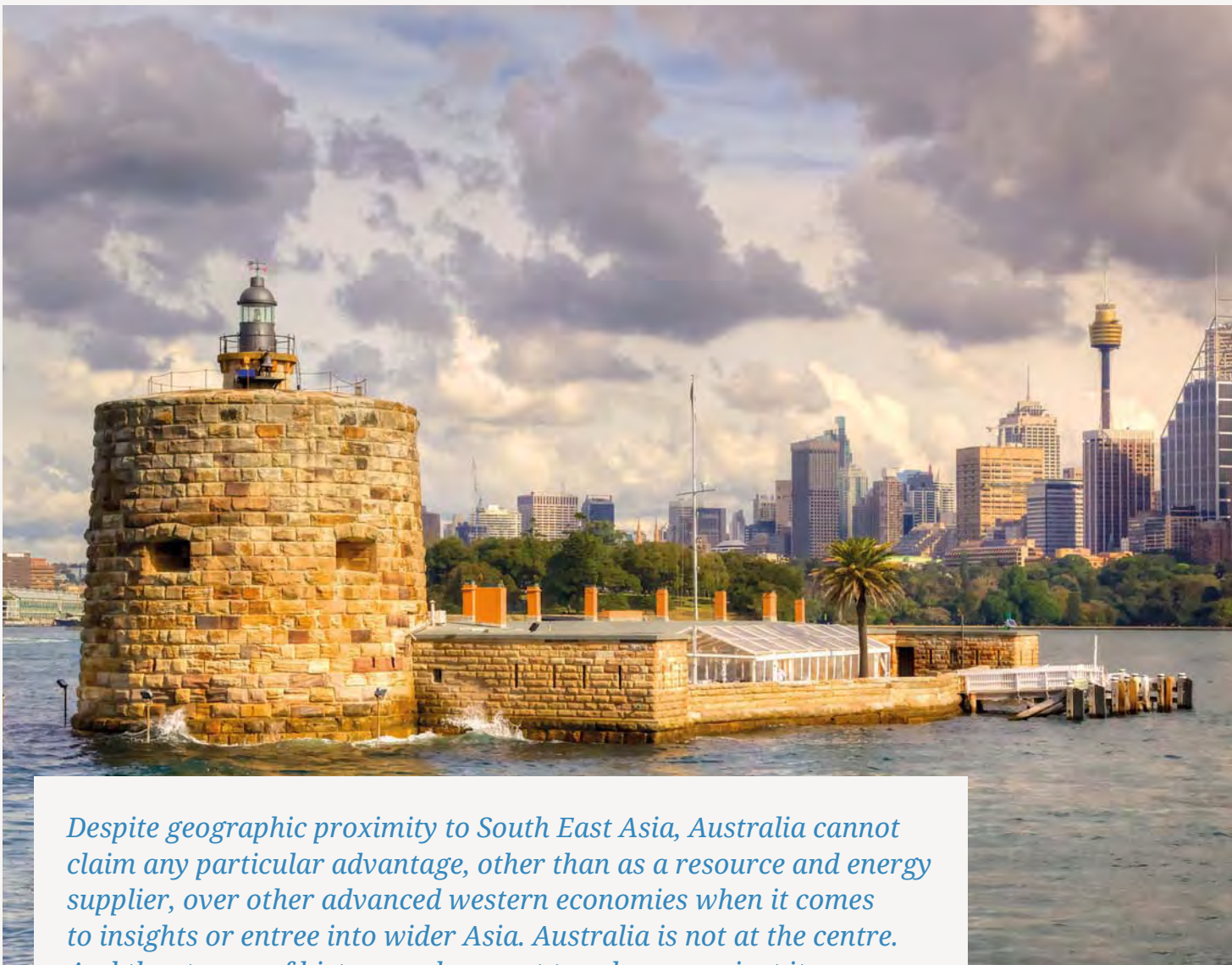
Xi Jinping's remarks at the APEC Summit and Davos Economic Forum all indicate that he is vying for China to assume a more prominent regional and even global leadership role. What will an expanded Chinese role entail for issues vital to Australia such as trade, piracy, money laundering, drug trafficking, non-proliferation, disaster relief, and anti-terrorism? In many areas, China lacks the breadth and depth of expertise needed to take the lead and therefore is looking to partner with others. Every possible opportunity to engage with China's senior officials should be used to try to mould the Chinese leadership's thinking on these issues so that Australia's view is not only known but possibly taken into consideration.

The government in Canberra needs to prepare for the volatility of Trump's presidency by exerting its efforts on China and every other consequential country in the region in a manner it has never done before.

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DAVID EPSTEIN

# No longer at the centre: Australia's real relationship with Asia



*Despite geographic proximity to South East Asia, Australia cannot claim any particular advantage, other than as a resource and energy supplier, over other advanced western economies when it comes to insights or entree into wider Asia. Australia is not at the centre. And the stream of history and present trends are against it.*

Disruption and innovation are overused and abused words in the current lexicon of western elites. Similarly, with talk of a disruptive Asia, particularly in Australia.

Clayton M. Christenson's 1997 business study, *The Innovator's Dilemma*, propelled "disruption" and "innovation" to their present notoriety. Christensen's success was providing a plausible explanation for the effect of change on economic progress.

As Jill Lepore explained, in her sometimes brutal, 2014 *New Yorker* critique, the explanatory appeal of Christenson's "... 'innovator's dilemma' is that... 'doing the right thing is the wrong thing.'" Disruption is a convenient explanation of change and economic eclipse. It enables both to be explained with honour, because "the problem was the velocity of history, and it wasn't so much a problem as a missed opportunity."

This may be why some cite recent economic growth in Asia as an example of disruption, but is what has occurred in Asia really disruptive in historical terms? Evidence suggests otherwise.

Prime Minister Malcolm Turnbull, among others, has noted recent economic growth in China and India could be described as a return to historic norms; a resurrection after an unusual period of relatively lower rankings in economic league tables. In Turnbull's words: "...the Indian and Chinese economies growing to catch-up with developed nations, we should remember that from antiquity until as late as the mid 19th century, China and India were the two biggest global economies, typically accounting for 40 to 50 per cent of world GDP according to the economic historian Angus Maddison".

## Asia's return to the centre is normal

There is a good case to be argued that Asia's economic development is and was predictable, and not particularly abhorrent or novel in terms of historic global relativities. It is the pace, not the fact, that major Asian economies have returned to significance relative to major Western economies that is unusual in historic terms.

This could have significant and unpredictable geo-strategic effects. If we want to be concerned about disruption we should be worried about the impact of geo-strategic rebalancing after such GDP growth has occurred or if Australia stagnates economically on a long-term basis.

We are not always as conscientious as we should be in securing our own economic well-being and stability. Nor do we like to recognise good fortune may be transient. Our relative standing globally could be viewed, in extremis, just an outcome of a two hundred year aberration. Luck might be another term for this, but only if we persist with the peculiarly Australian prism that good fortune is not linked inextricably to hard work.

If for the sake of argument, we acknowledged Australia as an Asian economy it would be the fourth largest, after China, Japan and India. This, however, should be considered against both the stream of history and where present trends are heading.

Chinese and Indian economic output has risen at a pace that has increased their share of the global economy close to threefold in the past two decades. By 2025, broader Asia will produce close to half the world's output and house the majority of the world's middle class.

Australia's present good fortune, together with its relative wealth and global stature since Federation, may be an unusual period of history not reflective of what others regard as the long-term. More concerning is that our extreme good fortune in the past decade is partly due to a massive upswing in

Australia's terms of trade as our resource exports have fed Asian economic redevelopment.

Former Reserve Bank Governor Glenn Stevens described this very colourfully in 2010: "Five years ago, a shipload of iron ore was worth about the same as about 2,200 flat screen television sets. Today it is worth about 22,000 flat-screen TV sets – partly due to TV prices falling but more due to the price of iron ore rising by a factor of six..."

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the general point is that high terms of trade, all other things equal, will raise living standards, while low terms of trade will reduce them."

A lot of what Donald Horne decried about Australia in *The Lucky Country* appears to persist while our economy remains heavily tied to commodity cycles. Only the dismal scientists, those pesky economists, argue persistently for the need to do something in the long-term about multi-factor productivity and sustainable economic diversity when commodity prices are high.

The bulk of us only talk about such things as booms dissipate, and then only after much gnashing of teeth and finger pointing. That is when talk of doom and disruption becomes fashionable, followed by urgings to place our faith in innovation to avoid a repetition of the cycle and a possible detour down the Argentine Road.

After World War II, and especially post the rise of the European Union and the European Commission, there has been a tendency for Australians to redouble their focus on Asia as a market and our proximity to the region in the dusk of commodity booms.



This is not, however, to dismiss the reality of the steady increase in our economic engagement with the wider Asian region from the 1950s on, nor the efforts of policy-makers on both sides of politics to adjust our foreign policy accordingly. As early as 1950, conservative Foreign Minister Sir Percy Spender said: "Geographically Australia is next door to Asia and our destiny as a nation is irrevocably conditioned by what takes place in Asia. This means

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that our future depends, to an increasing degree, on the political stability of our Asian neighbours, on the economic wellbeing of Asian people and upon the development of understanding and friendly relations between Australia and Asia...It is therefore in Asia and the Pacific that Australia should make its primary effort in the field of foreign relations."

Initially, however, the shift in focus for Australian foreign relations may have

been driven slightly more by fears about security threats in near South East Asia. The now dominant desire to pursue opportunities inherent in wider Asian economic growth came later with North Asian industrialisation.

Ramesh Thakur, of the Australian National University, highlights this well: "From the 1950s to the 1980s, the primary focus of Australia's engagement with Asia was Southeast Asia: managing the independence of Indonesia, the Malayan Emergency, the Malaysian-Indonesian Confrontation, the Indochina wars and refugees, the triumph of communism in Indochina, the consolidation of Southeast Asian identity under the newly created ASEAN, and the rise to middle income prosperity of millions of people in that region. This focus changed at the end of the 1980s, and Ross Garnaut's report, *Australia and the Northeast Asian Ascendancy* (1989), guided and shaped Australian policy parameters toward Asia-Pacific through the 1990s".

Australia has a long tradition of talking up special relationships or unique proximity to Asia. This often occurs when we turn our minds to the idea that achieving greater economic sustainability might require more than being very efficient suppliers of primary resources and energy to other economies in their economic development cycles.

This is where Geoffrey Blainey's *Tyranny of Distance* meets Horne's *Lucky Country*. Blainey was right to argue that Australia's geographic isolation, as a largely occidental society, from Europe, particularly Britain, has been a central determinant of its sense of self and will continue to be – for good or ill.

It is not a great leap to suggest it might also be why Australians can be attracted to the notion that they somehow own a special piece of global real estate. This is the view that Australians own a unique gateway to Asia: a place that will give them and their fellow westerners, Europeans and North Americans, a privileged access to Asian-derived wealth.

### **Australia's misguided Asian exceptionalism**

Such thinking may not be as prevalent as the notion of American exceptionalism in the USA, but it is our closest proxy. It is also self-deluding; Berlin is closer to Beijing than Sydney. Australians have to recognise that they are not at the centre of Asian economic development and they do not own a unique place on the doorstep of Asia.

It is not wrong to focus on the prospect of increasing Asian prosperity and how to share in it, but the focus has to be on the right aspects of it and it has to be a

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consistent focus. Despite that, even the most engaged Australians can be tempted to invoke the myth that we enjoy special proximity to Asia, broadly defined.

Andrew Robb is remembered with some affection as a dogged trade minister in Australia. This may allow us to excuse him for his 2015 speech to the Chicago Council on Global Affairs urging the US to use Australia as a gateway into Asia.

Robb said: "Australia... is increasingly seen as a beachhead or gateway to a region that will be fundamental to global

growth in the years and decades ahead." Remarks like this are understandable if they come from state or territory government trade missions, but we need to be more hard-headed at the national level.

Though it can be tempting to assert Australia has a special proximity to Asia, this really only applies to South East Asia. Nor, as an important aside, can we ignore the fact that we often pay less attention to our nearest and largest Asian neighbour, Indonesia,

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*Australians have to recognise that they are not at the centre of Asian economic development and they do not own a unique place on the doorstep of Asia.*

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than we do to other Asian nations that competing western nations have comparable access to.

While it is no longer a truism that Asia is somewhere Australians fly over on the way to Europe, it remains the case we pay insufficient attention to Indonesia. This is although the Department of Foreign

Affairs and Trade has confirmed Indonesia among Australia's six most important relationships, with China, Japan, Korea, India and the United States.

It is also despite the notable exceptions, including former Prime Minister Paul Keating's efforts to engage with Soeharto. Similarly, security collaboration in the wake of the Bali bombings and links born of the rapport former Indonesian President Susilo Bambang Yudhoyono had with Australian officials who had been his contemporaries early in his career.

Former Foreign Minister Gareth Evans – who sometimes attracted criticism from his own colleagues for being too close to the Indonesian establishment – has bemoaned this, writing: "One of the many enduring mysteries of Australian public policy is why Indonesia simply hasn't (with only a few honourable exceptions) attracted the same level of attention, understanding, and sustained high-level commitment from our political leaders that other Asian countries have received, and which it so manifestly deserves."

The reality of Australia's prevalent inattention to Indonesia may not be the mystery Evans ponders. It seems in the end, money talks, or at least the more apparent riches to be had in shipping resources, and now increasing amounts of energy, to North Asia.

We are still a little short-sighted. Australian officials have estimated that by 2050, four of the five largest economies will be in Asia; China, India, Japan, and Indonesia. The fifth will remain the US.

Despite geographic proximity to South East Asia, Australia cannot claim any particular advantage, other than as a resource and energy supplier, over other advanced western economies when it comes to insights or entree into wider Asia.

## Expect no favours from Asia

Australia is not "at the centre", as it were. Therefore, it should not expect favours from its Asian partners or feel it need not work as hard as others do to engage with them. Nor should Australia delude itself it can profit significantly by assisting others to engage.

Europeans are more than capable of managing their relationships with Asians and Asian governments directly, without the need for an Australian launchpad. So are North Americans and others. Often, too, they devote more resources to doing so. When the Australian Government published its Asian Century white paper, for instance, both France and Germany had diplomatic posts in more Asian countries than Australia.

The reality of the relativities of Australia's depth of engagement with the broader Asian region is only part of the problem Australia faces to better secure a sustainable economic future and manage its strategic position geopolitically.

Former foreign correspondent Geoffrey Barker summarises the challenge well: "Regardless of its success in deepening and broadening engagement

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with Asia, Australia faces a problem of declining relative economic and strategic weight as the populations of Asian nations grow faster than the Australian population... it remains a challenge for foreign and defence policy planners".

The obverse side of the terms of trade phenomenon Glenn Stevens illustrated so colourfully is that Australia has neglected its productivity performance

during a mining boom fuelled by Asian growth, yet we maintain our expectations of personal wealth and increasing living standards.

Without sustained and dramatic improvement in productivity, the coming decade is likely to see much less growth in living standards than Australians have come to expect. Moreover, there is a real risk that in some years living standards could actually fall without a significant increase in productivity.

When contrasted against the likely continuation of Asian growth patterns, this will provide Australians with a confronting juxtaposition. It will illustrate that Australia is not at the centre of Asia or necessarily secure in the league table of high living standards. To add to the dilemma, we also have to recognise that the bulk of benefits of recent global wealth generation has rewarded two groups: plutocrats in western economies and the growing middle classes of Asia.

This could create a difficult scenario for the average middle-class Australian to contemplate. Asian societies are becoming wealthier, western economies are treading water and becoming more unequal, while our middle-class are feeling more insecure and being asked to become more productive.

**David Epstein** *has been an executive at Qantas, BHP Billiton and Optus, and senior adviser to three Australian Prime Ministers.*



# An Asia policy for Australia in the Trump era



*Australia must focus on our region of the world – South East Asia, North Asia and the South West Pacific. To be effective we must now and in the future follow better balanced, updated policies, rather than try to reinforce long-standing, outdated solutions. The world has changed greatly and we must respond without delay.*

Australia must pursue more balanced and appropriate defence, security, trade and immigration policies that are linked to its own real national interests; rather than the interests of any political parties of the moment – Australian or foreign.

Australia needs to revise its approach to a rules-based regional order and the Trans-Pacific Partnership (TPP) if it is to successfully manage the challenges and opportunities emerging from the arrival of a new United States Administration, just as we prepare a new foreign policy white paper.

So far the Turnbull government has spoken of a rules-based order in Asia and the TPP almost as if little has changed in the regional environment in which the planned white paper will be setting future policy parameters.

But this is not the case. The rules based order the government likes to regard as the bedrock for all diplomatic policy is both not accepted in its current forms for several countries, most notably China, and has in fact been ignored by the US in the past when this has suited its interests.

TPP in some revamped form is unlikely to be accepted by China for the very reasons that it is seen as part of that order. Indeed, the government seems to be now belatedly acknowledging this point.

A US role in the Asian and South West Pacific region, which genuinely acknowledges China's right to have substantial influence in an area of major interest to it – the South China Sea – is needed. But this approach continues to be opposed by several of our political leaders, whose priority remains support for US policy, even when it was failing.

Australia should not exaggerate a Chinese threat to the South China Sea region, including the Spratly and Paracel Islands, and we should avoid any provocative activities there.

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*In the present debate in Australia, some assume that we have no option but to support continuing American supremacy in Asia, against a rising Chinese hegemony.*

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In the present debate in Australia, some assume that we have no option but to support continuing American supremacy in Asia, against a rising Chinese hegemony.

This is a simplistic approach which has been challenged

by former prime ministers Paul Keating and Bob Hawke, by the late Malcolm Fraser, and by many prominent academics.

Prime Minister Malcolm Turnbull and foreign minister Julie Bishop often refer to the "rules based world order." This "order", of course, was established primarily by the US after the end of World War II.

The "rules" have been disregarded by the US itself when it has suited it to do so. As a result they have not been accepted by some major countries, especially China, which would want to be involved in the development of any new rules based order.

In this context, the dominant influence of the defence and intelligence communities in Australia and in the US on the development of broader foreign policy needs to be restrained.

Finding a balance between the US and China in the region has become a key strategic challenge for Australia and must be a central element of the upcoming foreign policy white paper.

The fundamental adjustment which Australian policy needs to make is to recognise that an Asia Pacific community is now clearly emerging, as has recently been acknowledged by Henry Kissinger. This community includes, important countries such

as China, India, Japan, Indonesia, South Korea and Vietnam.

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However in recognising the development of an Asia Pacific community, we need to also understand that we have tended to put excessive focus on the Association of Southeast Asian Nations (ASEAN) as a group. Although it has celebrated its 50th anniversary, ASEAN is

a divided organisation. In particular, Laos and Cambodia take a different approach from some of the other members such as Singapore and Brunei. In this situation it is unwise for Australia to talk about an ASEAN attitude.

And the policy confusion since the dumping of the TPP by the Trump Administration has become a case study in how China seems to be handling the strategic challenges better than the US.

The TPP was launched in 2007 and signed by the eventual 12 member countries early in 2016 ahead of formal ratification. But it was already clear then both Democrats and Republicans in the US were deciding not to ratify it.

The parallel Regional Comprehensive Economic Partnership (RCEP), was launched by regional leaders in 2011 as a way to build a modern, comprehensive, high quality and mutually beneficial trade agreement. Negotiations between ASEAN as a group, China, India, South Korea, Japan, Australia and New Zealand were underway in 2013 and it was already clear then that China would have a preference for the RCEP.

I was, therefore, surprised when Bishop suggested to the Chinese Foreign Minister Wang Yi during a meeting in February 2017 China should now join the TPP. This seems very strange as China will definitely not do so and our government has again put itself in a position of pressing a proposal which is destined to fail.

Closer to home we also need to address concerns about Australian policies in Papua New Guinea and in Fiji, which they find intrusive. This is the part of our region in which the world is most likely to judge Australia's diplomatic abilities.

Another important longer term challenge for Australia as its relative economic size declines in relation to some Asian countries is whether the Group of 20 nations group is too big to be effective for us. It is European heavy and it is worth considering revising the group, so that it would have a stronger focus on China, India, Brazil and Indonesia. A smaller group would work better for Australia.

Our strident criticism of North Korea also requires a policy adjustment. North Korea's intransigence is related mainly to the fact that it is not interested in the so-called Six Power Talks. The North Korean regime is radical and isolated, but what it really wants is bilateral discussions with the US. It is difficult to accept the US argument that it will not have bilateral discussions with North Korea.

Last year the late former Indonesian Ambassador to Australia, Sabam Siagian, who was also a former Jakarta Post editor-in-chief, underlined the challenge Australia faces finding its way through these issues to achieve the aim of being accepted by Indonesians a "true strategic partner." He added that Australia needed to "speed up its transition to the changed global and regional situation of 2016 and beyond." He added Australia needed to be an "independent Republic, standing on our own two feet" in our region of the world – South East Asia, North Asia and the South West Pacific.

A far-sighted foreign policy white paper would be presented in this context.

*Richard Woolcott is a former Secretary of the Department of Foreign Affairs and Trade, ambassador and Founding Director of Asia Society Australia*



GREG EARL

# Asia's democratic dividend is hard to bank



*The new Asia poses a challenge to Australian diplomacy and to the way ordinary Australians view the region. We have long supported greater democracy and freedom but when we see it up close we can be wrongfooted or even repelled.*

Sitting through a conference discussion recently alongside a young analyst from one of Asia's newer democracies proved to be an illuminating experience.

While participants from neighbouring, less changing regimes explained why old ways still worked,

my colleague could barely contain himself as he progressively ticked off what was wrong with their ideas in a series of nearly audible asides. Doesn't he realise that things have changed? Some of us are actually democracies now," he eventually fumed before discarding his pen in theatrical frustration.

This was disruptive Asia up close and personal at one of the merry-go-round of regional meetings these days where an old tradition of non-interference in the affairs of neighbours runs up against a new Asia where leaders (and importantly citizens) are conscious of popular sentiment and prepared to reflect it.

## Changing face of government

This new Asia poses a challenge to Australian diplomacy and to the way ordinary Australians view the region. We have long supported (and even advocated) greater democracy and freedom but when we see it up close we can be wrongfooted or even repelled.

The days when Australian diplomats could quietly and predictably conduct business behind closed doors with strongman leaders (or at least their western educated advisers) and justify this as realism are receding as new democratic leaders are more worried about tweeting to their followers than the traditional routines of diplomatic note taking.

And the world is also changing for human rights activists who used to ritually rail against strongmen only to find that today newly minted democrats

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can embark on similarly confronting policies such as executions – both drawn out (Indonesia) and shockingly swift (Philippines).

Likewise, for Australian business, some new leaders may still not be averse to the behind the scenes deals that have long existed. But they will be equally responsive to sudden campaigns against foreign investors who are perceived to be upsetting local interests.

It is instructive to consider the change in the political landscape since Australia embarked on its then broadest institutional engagement with its Asian

neighbours in 1974 by becoming the first Association of Southeast Asian Nations (ASEAN) dialogue partner. Then the Philippines was under relatively new martial law, Soeharto was consolidating his dominance of Indonesia, Lee Kuan Yew was settling into a long

period of power in Singapore, Malaysia was embarking on economic reforms after race riots under the respected Abdul Razak Hussein and an enlightened jurist Sanya Dhamasakti was Thailand's prime minister after yet another period of military dictatorship.

How things change but stay the same. These days Indonesia has arguably overtaken the Philippines as Southeast Asia's most feisty democracy with voters in both countries embracing populist leaders from outside the traditional capital city dynastic, military or bureaucratic elites raising fears they may even be overthrown by those elites.

However more economically developed Singapore and Malaysia have still not managed to undergo a formal change of government raising a different set of questions about their future. And the incumbent prime minister sons of those 1974 leaders – Lee Hsien Loong and Najib Razak – struggle to achieve the authority that their famous fathers once had.

Meanwhile, Thailand is eerily back about where it was trying to negotiate a return to electoral democracy from a period of military rule. Ironically Vietnam, the country that was still ravaged by war in 1974 and certainly not welcome within ASEAN, now stands out by embracing economic reforms while still clinging to authoritarian communism.

Further afield in the richer, newly industrialised economies of South Korea and Taiwan two party style democracy has taken deep root but with volatile consequences. Taiwan swings radically between seeking independence and cooperating with China to the point of periodically unnerving the world such as President Tsai Ing-wen's post-election phone call to US President Donald Trump. Meanwhile, no democratic South Korean president has managed to leave office without a crisis suggesting that the country has embraced the combative side of democracy but not the stabilising conventions.

Asia's three major powers only highlight the variety of government models which Australia foreign policy must be able to address: China's authoritarian centre is vulnerable to outbreaks popular discontent both real and virtual, Japan's ageing voters are seeking but struggling to coalesce around an alternative to the Liberal Democratic Party (LDP) and states are even more assertive in India. Two common themes appear to be emerging: populist outsiders challenging old power and new regional centres of power.

## Populists v dynasties

The new Filipino president Rodrigo Duterte is the latest of a series of populist outsiders who have risen to power reflecting the concerns of youthful



voters and the emerging middle class about issues such as endemic corruption, inefficient bureaucracy and inadequate infrastructure. He also took advantage of the power of digital communications to build a suddenly disruptive political movement. India's Narendra Modi and Indonesia's Joko Widodo have followed a similar path to power in the world's first and third largest democracies, just as Thaksin Shinawatra did in Thailand more than a decade ago.

These leaders certainly don't all fit a neat mold. Thaksin was more sophisticated and seemingly corrupt than the others. Duterte is really from a city dynasty despite playing the plain-speaking outsider. Modi might have been a poor outsider but he has embraced the nation's dominant Hindu cultural elite. And Jokowi is now being tagged as a mini-Soeharto because he is increasingly obsessed with building things like the former dictator.

It is not clear that all these leaders will even survive in office due to resistance from old establishment forces and their own personal frailties, but they can't be ignored as the new faces of Asian democracy. It is notable that while they typically arrived in office as outsiders without control of their legislatures, they have variously managed to build workable parliamentary coalitions and retain strong public support.

Australian diplomacy has already had to adjust to the more volatile political style and environment that these populist democrats have brought to

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*From the more Islamic political mood in the Jakarta election to the constant fracturing of the US-modelled two-party system in South Korea, Australian foreign policy needs to anticipate that democracy is likely to make Asian government more volatile as the emerging middle-class demands more say.*

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battle over a city election in Jakarta. All three of these leaders are very attuned to the domestic public opinion which is a factor that Australia will need to take more into account in making regional policy.

government. Duterte pays more heed to domestic opinion over his extra-judicial action on illegal drugs rather than offers of Australian medical expertise to pursue a more coherent and sustainable policy approach. Modi has elevated domestic manufacturing represented by his Make in India program over his earlier commitment to former Prime Minister Tony Abbott to negotiate a free trade agreement. And Widodo cancelled a much sought bilateral visit to Australia to instead manage the local politics of the hard-fought

Political dynasties still tend to dominate Asia from the prime minister's residence in Tokyo to the town in the central Philippines where I lived as an exchange student in 1970s and I discovered on a recent visit that one of my old host families has provided the local mayor ever since. But while dynasties seemed to be on the rise at national government level from Bangladesh to Japan only a few years ago, there are some signs that the aura of inherited power may now not be so strong. South Korea's president Park Guen-hye has had a dramatic fall from grace despite coming to office amid expectations that she had the personal political capital to reform some of the less desirable features of the system put in place by her father in the 1960s such as powerful business conglomerates.

A few years ago it was much the same further south in Malaysia where then incoming Prime Minister Najib Razak counted no less than two prime ministers in his family tree. And with this heritage, he too seemed like the Malaysian leader who would be able to overhaul the system of privileges for Malay citizens over Indians and Chinese which have handicapped the country's evolution. And indeed, like Park, Najib did make the right noises about modernising his father's once innovative affirmative action policies but then failed to follow through. Now under political pressure, he has instead reverted to Malay nationalism when Malaysia is also trying to make itself a more globally competitive economy.

So from the more Islamic political mood in the Jakarta election to the constant fracturing of the US-modelled two-party system in South Korea, Australian foreign policy needs to anticipate that democracy is likely to make Asian government more volatile as the emerging middle-class demands more say.

## Rising regionalism

The Asian economic renaissance has been largely built on strong central government control over development but the emergence of figures such as Thaksin, Modi, Widodo and Duterte from regional cities underlines how power may be dispersing geographically. The states have always been strong in India but now increasingly offer distinctively different records of governance and economic development which make them the real opposition to the prime minister in New Delhi.

Even in Japan, the more interesting alternatives to the LDP control at the national level have tended to come from renegade prefectural leaders, most recently the very ideologically mixed revival movement in Osaka. One of China's underappreciated governance qualities is that most leaders have to prove their

administrative skill at the city or provincial level before ascending to the authoritarian centre.

Indonesia has embarked on Asia's most extensive experiment in the devolution of political and economic power through three levels of government. Now Duterte, in the Philippines, has also expressed support for more formal devolution in a country which has always had strong de facto provincial political forces.

These developments will potentially make political decision-making more vulnerable to regional interests and economic decision making more vulnerable to regulatory overlap. This will make it important for Australian foreign policy to take decentralising tendencies into account at a time when there is a high-level focus on the creation of a seamless market for trade and investment across the entire Asian region. Australia's diplomatic footprint will need to take more account of emerging regions as has already occurred with new consulates in Makassar (Indonesia) and Chengdu (China). Likewise Australian business will also need to pay more heed to opportunities outside capital cities and these new political forces.

## Conclusions

- **Outsiders:** We have long urged our neighbours to be more democratic but often don't like what

*It is ironic that at a time when Asia looms larger in our economic and strategic future there appears to be a weakening of both the business and media engagement that should be the glue for deeper ties that transcend short-term diplomatic differences.*

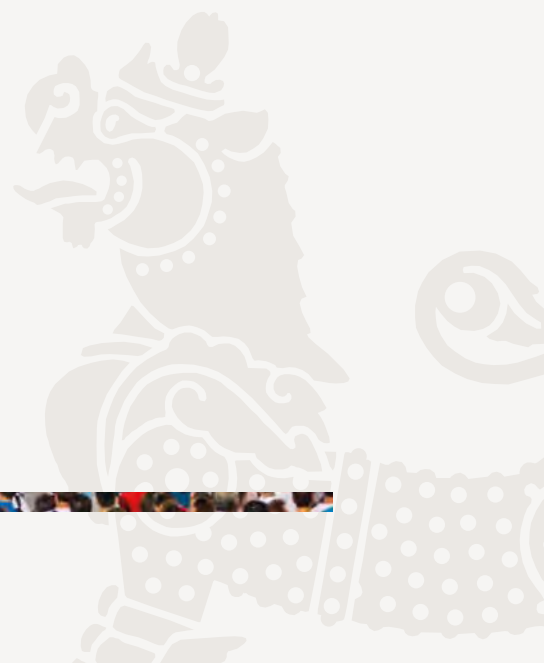
we get. However, we should welcome the fact many Asian governments are becoming more responsive to the demands of their people even at the risk of outbursts of populism. This will require diplomats, business and civil society to engage with new political actors from outside the traditional geographic and bureaucratic centre. Australian governments will need to consider an expanded presence in new centres of political or economic power.

- **Insights:** Living with these fast-changing countries will make understanding them more challenging than ever. It is ironic that at a time when Asia looms larger in our economic and strategic future there appears to be a weakening of both the business and media engagement that should be the glue for deeper ties that transcend short-term diplomatic differences.

- **Game changers:** Dramatic U-turns like those taken by Duterte will be more common. Imagine a more democratic China where leadership aspirants were even freer than the current quasi-communist rulers to appeal to nationalism to maintain power. Australian political leaders should be prudent about publicly claiming personal relationships with Asian leaders amid the new social and economic volatility that surrounds these increasingly populist politicians. But young Australian political and business leaders need more exposure to the political forces in Asia which will frame Australia's future.

- **Dialogues:** Unofficial interchanges between broad groups of non-government figures from Australia and individual regional countries are a modest but practical way to increase communication and understanding of social trends which can impact on diplomatic relationships. Australians need a deeper understanding of the cultural, political and economic forces at play in emerging Asian societies to avoid knee-jerk reactions which undermine our ability to co-exist in the longer term with neighbours that are generally getting richer and more powerful.

Greg Earl is an editor and writer.



# Thinking outside the box with India



*Differences in Australia and India's history, strategic perspectives, size, wealth and culture create many challenges for the relationship. In practice it will largely be incumbent on Australia to overcome these challenges and think more innovatively about its engagement with India.*

In many ways Australia and India are the odd couple of the Indian Ocean region. For decades, divergent geopolitical perspectives, ideological differences and weak economic links led them to look past each other. Although history gave the two countries a shared language, similar civil and political institutions and, of course, a love of cricket, this history often seemed to divide them as much

as bring them together. But major changes in our region – the emergence of India as a major economy and military power and the rise of China – are bringing the two countries together more than ever before. The challenge for Australia will be in finding new ways of engaging with India that reflect India's unique perspectives.

Over the last decade or so, Australia and India have been engaging more than ever before. A procession of Australian leaders has visited India to push the relationship, arguing that the countries were “natural partners” and should become “strategic partners”. The Indian response to Australia’s enthusiasm has generally been quite tentative and cautious, although the current government of Narendra Modi has shown a greater understanding of the value of Australia as an important strategic partner, alongside other non-traditional partners in the Asia Pacific.

Australia has aspired to build a comprehensive relationship with India, including building an economic partnership resembling Australia’s economic partnerships in East Asia. But in practice the engagement has had a heavy focus on defence and security, often driven by shared concerns about China. There is still a degree of scepticism on both sides about the relative importance of the relationship. Although perspectives are slowly changing, many in Delhi still see Australia as a country that is too small, too wedded to the US alliance and too economically dependent on China to be a priority strategic partner for India. For their part, many in Canberra continue to see India as a country strong on rhetoric and too weak on execution to be a dependable regional partner for Australia. In short, both governments still struggle to prioritise the relationship among other important relationships in the region.

It would be easy (and true) to say that both countries need to work harder to understand each other’s perspectives. But in a relationship between a country of 1.25 billion people and one of 23 million, it will largely be up to Australia to think innovatively about its engagement with India if it really wants to build a comprehensive strategic, security and economic relationship.

### Challenges in building an Indo Pacific strategic partnership

Australia began to see India as an important strategic partner around the turn of this century, and its evolving perspectives on India are now intimately linked to Australia’s strategic reorientation towards the Indo-Pacific. The idea of an Indo-Pacific “strategic arc” running from the north Pacific to West Asia means that, for the first time in our history, India is squarely within Australia’s strategic vision. This reinforces the importance of India as a key regional partner that could one day rank alongside Australia’s traditional partners in Asia.

Shared concerns about the rise of China and the regional balance of power have been an important driver of the relationship. For Australia, perceptions of India’s importance have only increased with China’s growing assertiveness. From India’s perspective, too, Australia is increasingly recognised as an important partner as it builds new security relationships across the Indo-Pacific to balance China. But there are also many other shared concerns beyond China that are driving the security relationship, including:

- Maritime security, especially in the Indian Ocean.
- Security of sea lines of communication and freedom of navigation.
- Security and stability of Southeast Asia.
- Opposition to violent extremism.
- Australia’s value as a politically stable source of resources for India.
- Australian recognition India will be a major power in a multipolar region.

But while the two countries have many shared strategic and security interests, there are also considerable constraints in the relationship, reflecting their quite different political traditions. India may no longer pursue the rhetoric of nonalignment, but the goal of strategic autonomy remains a core objective for most Indian policy-makers. In contrast, Australia sees its alliance with the United States as a virtual prerequisite for

national independence and as an important means of enhancing its regional influence. Indeed, if strategic autonomy is part of India’s national DNA, then strategic collaboration is part of Australia’s. These differences in strategic outlook are compounded by quite different views about hierarchy and status in international relations. In contrast to Australia’s relatively egalitarian middle-power view of the world, India tends to be highly sensitive to questions of hierarchy

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*In a relationship between a country of 1.25 billion people and one of 23 million, it will largely be up to Australia to think innovatively about its engagement with India if it really wants to build a comprehensive strategic, security and economic relationship.*

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and can be demanding that others recognise its privileged status as a major power.

Australia has been actively pushing a closer defence and security relationship with India for more than a decade. Although it has often been slow progress, two developments have given this greater traction.

The first was Australia's agreement in principle to export uranium to India, which many in Delhi saw as almost a threshold issue in the relationship. Second

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*India may no longer pursue the rhetoric of nonalignment, but the goal of strategic autonomy remains a core objective for most Indian policy-makers.*

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was the election of the Modi government in 2014 which allowed India to move beyond some of the ideology of non-alignment that has long constrained India's Congress Party governments. Soon after his election, Modi visited Australia to sign a Framework for Security Cooperation. In 2015,

the Australian and Indian navies held their first substantive bilateral exercises for at least 50 years, which was followed by a small special forces exercise in 2016. In the future, we will likely see the continued, if gradual, expansion in training exercises between the Australian and Indian armed forces.

But we should also be careful in allowing some of the rhetoric about the relationship to outrun the reality – in practice, defence cooperation remains quite thin. Although there are many potential opportunities for the armed forces to work together in training and operations, the two countries still need to find concrete projects to build a culture of cooperation. India, in particular, does not yet consider Australia to be an important defence partner in comparison to major partners such as the United States, Japan, Russia, Israel and France. If Australia wants to build a substantive defence relationship it will probably be up to it to move beyond its normal comfort zone and try to work with India in ways that may have not been previously contemplated. Australia needs to better leverage its geography and regional relationships. For example, should Australia try to draw India into Australia's existing or new defence coalitions in Southeast Asia? Should Canberra encourage India to make use of Australian training areas in northern Australia, potentially with other regional partners? Should Australia offer to share information and even facilities with India as part of a cooperative system of maritime domain awareness?

## Rethinking the economic relationship

For a decade or more, many inside and outside Canberra have assumed that economics would be a central part of a new relationship with India. The lure of a market of 1.2 billion people, now growing at almost 8 per cent a year, is not a difficult story to sell. According to this story, India (at last!) is now following the path of East Asian economies

in previous decades and might even one day become another China.

But most of the rosy predictions for the Australia-India economic relationship have not come to pass. Bilateral trade with India grew quickly in the first decade of this century, reaching around A\$19 billion in 2008, but growth has since stalled, totalling only A\$20 billion in 2015 (which compares with A\$150 billion in Australia's bilateral trade with China in the same year).<sup>1</sup> This made India Australia's 10th largest trading partner, after Malaysia. The experience on bilateral investment hasn't been much better. Many Australian resource companies,

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*Most of the rosy predictions for the Australia-India economic relationship have not come to pass.*

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in particular, are keen to invest in India but are largely locked out of the market.

For Canberra, the antidote to languishing trade and investment was to gain better access to the Indian economy through

a preferential trade agreement, just as it has done in recent years with Japan, South Korea and China. But Canberra's efforts over the last decade to put in place a trade agreement with Delhi have not been successful. Despite years of negotiation, a Comprehensive Economic Co-operation Agreement (CECA) with India remains elusive and there is little likelihood that an agreement will be finalised any time soon. Even if a CECA is realised, it is unlikely to reap the benefits some have suggested, and would probably lead to little if any reduction in tariffs on Australian exports. A CECA might facilitate investment and trade in services, although even in those areas there would be limited immediate gains.

The biggest reason for lack of progress on a comprehensive trade agreement is that, unlike Australia, Indian decision-makers have simply not drunk the Kool-Aid of free trade. We in Australia sometimes tend to forget that free trade is not uncritically accepted as a good thing in every corner of the globe. Although Modi might be pro-business, his government and India's powerful bureaucracy have little attachment to free trade and are largely sceptical about its benefits for India. Indian negotiators still generally see trade in zero sum terms meaning that they fiercely seek to protect the Indian markets from imports. Indian decision-makers also have a limited view of the economic benefits that Australia might bring to India.

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<sup>1</sup> Australian Department of Foreign Affairs, Trade Statistics. <http://dfat.gov.au/trade/resources/trade-statistics/Pages/trade-time-series-data.aspx>

In practice Australia has done itself few favours in aggressively pushing for a trade agreement in the face of unenthusiastic Indian trade negotiators.

Australia's approach to economic engagement with India seems to reflect optimistic assumptions about India's readiness to open all its doors to the global economy. Would we have expected, say, China to enter a comprehensive free trade agreement with Australia 20 years ago, or was it necessary to wait until China reached a level of economic development where Beijing perceived the value of trade liberalisation for driving domestic economic reform? Australia's approach with India may have also reflected an assumption that India will follow a development path that looks more or less like the paths followed by Australia's major economic partners in East Asia. India is certainly seeking development through building its manufacturing sector and reducing many of the impediments to doing business there, but development is unlikely to be primarily export-led and it will likely try to keep trade barriers high. In addition, Australia should also not make the mistake of thinking that India necessarily gives high priority to a comprehensive

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relationship with Australia, or that it regards the benefits of a close economic relationship in the same terms as does Australia.

In short, Australia may need to approach its economic relationship with India quite differently from other Asian economic partners. Australia will need to be more innovative in thinking about how to best use some of its comparative advantages with India, including relying more on services, technology and Australia's large and well

educated Indian community. Australian businesses must also be more prepared to operate in what may be a relatively difficult and risky environment.

## Challenges in engaging with India

Australia has rightly identified India as a key new partner along the Indo-Pacific strategic arc running from northern Asia to west Asia and it has committed significant diplomatic resources to comprehensively engage with India. There are very good geo-strategic reasons to believe that India may one day become one of Australia's most important partners in Asia. But that will not happen naturally. Differences in Australia and India's history, strategic perspectives, size, wealth and culture create many challenges for the relationship. In practice it will largely be incumbent on Australia to respond to and overcome these challenges – and this will require Australia to decisively move beyond the box and think more innovatively about its engagement with India. Some key challenges include:

**Engagement in defence and security:** Despite growing strategic convergences, practical defence and security cooperation is very thin in comparison with Australia's other partners. Australia needs to think about what convincing steps it could take to encourage India to take greater security responsibilities in the region, consistent with Australia's own activities. This could include partnering with India in new coalitions in Southeast Asia, encouraging India to make use of Australian training facilities, perhaps with other regional partners, and offering information and facilities to improve India's maritime domain awareness.

**Economic engagement:** Australia needs to move past some rosy assumptions and understand that its economic relationship with India may look quite different from its relationship with major East Asian partners. This will require Canberra to move beyond the box of free trade and focus on areas of comparative advantage and technologies that are of real interest to India. This will require Australian companies to take on India's difficult and risky business environment and build in businesses for India's domestic market.

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*Image courtesy of Ellis Cowan.*

TOMOHIKO SATAKE

# How Japan and Australia can fill Asia's security gap



*Japan and Australia are, as Prime Minister Turnbull recently stressed, “all-weather friends” who share many common interests under different circumstances. If this is the case, one should expect that defence and security cooperation between Japan and Australia would become even stronger as the regional security environment becomes increasingly risky and unpredictable.*

The victory of the US President Donald Trump, and his seemingly nationalistic and isolationistic remarks during the election campaign, raises serious concerns about the credibility of the US military commitment to Asia among US regional allies, including Japan and

Australia. Some think that the Trump administration's criticism of “free-riding” and an increasing call for greater “burden-sharing” will cause friction between the US and its allies, making alliance management much more difficult than before.

Others argue that, while the US-led hub and spokes alliance system may survive, the post-war liberal international order will be significantly weakened by the emergence of the new US President who emphasises “America first” doctrine and a decrease in its commitment to liberal values. The Trump administration’s protectionist trade policy, demonstrated by the withdrawal from the Trans Pacific Partnership (TPP), inflates such concerns.

In response to these concerns, Trump and his colleagues have worked hard to reassure America’s Asian allies that the new administration will further push America’s military commitment to Asia through strengthening alliances, increasing the number of naval ships and repelling defence sequestration. Both Japanese and Australian governments have welcomed the reassurances, stressing the continuity of strong alliance relations with the new US administration.

Nevertheless, there remains deep anxiety in both Tokyo and Canberra about the credibility of the new US administration. If the Trump administration mismanages alliances and fails to implement the promise to enhance military commitment to Asia, this could easily trigger further mistrust in Japan and Australia and as a result, trilateral security cooperation between these countries may become hard to manage.

In Australia, there has already been growing anti-America or anti-alliance feelings since the Trump victory. A number of Australian intellectuals – not

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only liberals or alliance sceptics, but also pro-alliance conservatives – advocate that Australia should keep its distance from the US under the Trump administration or at least seek a more independent foreign and defence posture.

While complete independence from the US or “bandwagoning” to China is highly unlikely, the wrong US Asia policy could fuel alliance sceptics in Australia and push the Australian government to take a more neutral stance between the US and China

on some key issues such as South China Sea and regional economic institutions. Indeed, after Trump’s difficult phone call with Prime Minister Turnbull

in early February, there have been growing voices arguing that Australia needs to focus more on China in a Donald Trump world.<sup>1</sup> A more neutral Australian stance between the US and China would increase the US criticism of security “free-riding” by Australia, and create further distance between Washington and Canberra.

Compared to Australia, Japan’s initial response to the new US President was a sort of “cautious optimism”. After meeting with president-elect in New York, Japanese Prime Minister Shinzo Abe said that Trump was a “trustworthy partner”, and reportedly pointed out the difference in Trump’s

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*There remain deep concerns in the Japanese policy community that the Trump administration could make a deal with China, such as allowing Chinese reclamation of artificial islands in the South China Sea in exchange for decreased Chinese exports to the US.*

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attitude to Japan before and after the election. Some also speculate that Abe has a personal chemistry with Trump and can get along with him better than former President Barack Obama, who was known as a businesslike person. The success of the first meeting between Abe and Trump of February 10-12, including their 27 holes round of “golf diplomacy”, proved such a view was basically correct at least in the short-term.

However, it is too early to conclude that a strong US-Japan alliance will continue due to the good personal relationship between two leaders. Japan’s optimism could quickly decline once it sees any symptom of changes in US Asia policy under the Trump administration. Specifically, there remain deep concerns in the Japanese policy community that the Trump administration could make a deal with China, such as allowing Chinese reclamation of artificial islands in the South China Sea in exchange for decreased Chinese exports to the US. Trump’s reportedly close relationship with the former US Secretary of State Henry Kissinger also causes such speculation.

Should such a “nightmare” be realised, Japan would seek more an independent defence posture in order to cope with growing threats from both China and North Korea. Yet Japan’s excessive independent foreign and defence posture could raise concerns of Japanese neighbours, including its potential ally

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<sup>1</sup> Linda Jacobson, “Australia needs to focus more on China in a Donald Trump world”, *Australian Financial Review*, 6 February, 2017, <http://www.afr.com/opinion/columnists/australia-needs-to-focus-more-on-china-in-a-donald-trump-world-20170205-q5ql8>.



South Korea, easily escalating tensions in Northeast Asian politics. If this is the case, an existing gap of strategic priorities and threat assessment between Japan and Australia – due to their different geostrategic circumstances – will likely expand. Japan's relations with South Korea will also weaken, making it difficult to continue another important trilateral security cooperation between the US, Japan and South Korea.

On the other hand, too much exercise of power or coercion by the US under the banner of “peace through strength” could also trigger a conflict, causing bad effects not only on Japan-Australia relations, but on regional countries as a whole. As one expert argues, Trump's pledge to impose a 45 per cent tariff on Chinese imports could “start a trade war, lead to a massive recession, eliminate millions of US jobs, and damage the economies of some close US allies”<sup>2</sup>. Trump's attempt to put the US ‘One China’ policy up for negotiation could also risk escalating US-China tensions unnecessarily, or damage US credibility if those policies are not actually implemented. Such a policy could also push leaders in both Japan and Australia into a difficult position, especially through provoking concerns about the entrapment in any US-led war against China, making bilateral and trilateral security cooperation more difficult to manage.

### New momentum for cooperation

At the same time, the new US administration provides greater opportunities, as well as challenges, toward closer defence and security cooperation between Japan and Australia, and potentially involving the

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*Japan and Australia may revise and enhance their roles in their alliance relationship with the US not only bilaterally, but also regionally and globally.*

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US. In particular, Trump's greater call for burden-sharing from regional allies could encourage more active defence and security posture of both Japan and Australia, increasing opportunities for cooperation and coordination in regional and even global fields (just as Japanese and Australian contributions to the “global

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<sup>2</sup> Mira Rapp-Hooper, “Deciphering Trump's Asia Policy: What “America First” Will Mean for Regional Order”, *Foreign Affairs*, November 22, 2016, <https://www.foreignaffairs.com/articles/asia/2016-11-22/deciphering-trumps-asia-policy>.

war on terror” resulted in closer defence and security cooperation between two countries during the 2000s). Indeed, there has been a growing voice

in both Japan and Australia that these countries should do more in order to strengthen the alliance and keep the US military engagement in the region. Such burdens should not necessarily be financial contributions to the alliance, such as defence budget increase or host-nation support for the US military. Rather than spending more money, Japan and Australia may revise and enhance their roles in their alliance relationship with the US not only bilaterally, but also regionally and globally. Japan and Australia could, for instance, step-up their defence engagement with Southeast Asia, including joint military trainings/exercises, capacity-building, and defence equipment cooperation with regional like-minded countries.

The Maritime Self Defense Force (MSDF) and the Australian Navy could also meet growing opportunities to work with the US Navy for maritime security not only in the South China Sea, but in the

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*A “dual hedging” strategy – hedging against the rise of China on the one hand, and hedging against the decreased US military commitment on the other – of Japan and Australia seemed to be increasingly relevant in that ever more unpredictable environment.*

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East China Sea or the Indian Ocean. Such cooperation became more likely after the introduction of Japan's new security legislation, which enabled the SDF to cooperate with militaries of “foreign countries that have close relations with Japan” under more extensive circumstances.

Meanwhile, both Japan and Australia may accelerate their diversification of external partnerships in response to greater uncertainties under the Trump Presidency.

While both countries, especially Japan, are fairly confident about the continuity of strong bilateral alliances with the US at least in the short term, they need to hedge against the future possibility of the transformation of international order from the current unipolar to more multipolar world. Indeed, it was such a strategic risk or uncertainty that encouraged Japanese and Australian policymakers to seek closer defence engagement between two countries in the early 1990s. Such a “dual hedging” strategy – hedging against the rise of China on the one hand, and hedging against the decreased US military commitment on the other – of Japan and Australia seemed to be increasingly relevant in that ever more unpredictable environment.<sup>3</sup>

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<sup>3</sup> Corey J. Wallace, “Japan's strategic pivot south: diversifying the dual hedge”, *International Relations of Asia-Pacific*, Vol.13, No.3, 2013, pp.479-517.

In Australia, regardless of whether people are pro-alliance or alliance sceptics, or whether they are conservatives or liberals, many support Australia's deeper engagement with the region through expanding strategic partnership with like-minded countries, most notably Japan. Such a policy is thought to be important not only to counter common threats, but "to identify areas of common interest [among regional countries] and jointly seek to influence US thinking on these."<sup>4</sup>

Japan has also accelerated its regional engagement policy and diversification of its strategic partnership under the banner of "free and open Indo-Pacific strategy", in which Australia is positioned as one of the most important partners. In essence, Japan and Australia are, as Prime Minister Turnbull recently stressed, "all-weather friends" who share many common interests under different circumstances. If this is the case, one should expect that defence and security cooperation between Japan and Australia would become even stronger as the regional security environment becomes increasingly risky and unpredictable.

### Future tasks for cooperation

So what should Japan and Australia should do in order to maintain and strengthen the liberal international order in the region?

First and foremost, they should jointly encourage the US continuous commitment to liberal international order, especially in the Asia-Pacific region. Japan and Australia not only share interest in a strong US military presence in the region, but have common interests in open, liberal and institutional order in Asia-Pacific.<sup>5</sup> Encouraging continuous US commitment to open economy, regional institutions, and international rules and norms is essentially important in this context. To do so, Japan and Australia may need to review their roles and responsibilities within the US alliances in order to gain greater leverage against the US.

Second, Japan and Australia should deepen and expand their defence and security cooperation both bilaterally and trilaterally with the US. Some

key areas of cooperation include: military trainings/ exercises and interoperability; information/ intelligence-sharing; missile defence; cyber and space security and; regional defence engagement,

especially in South East Asia. If possible, Japan and Australia should review their joint declaration for security cooperation announced in March 2007, and establish a common strategy reflecting new security developments in the region.

Japan should also continue and accelerate its security reform, including the implementation of new security legislation, which came into effect in March 2016. Japan's security reform and its normalisation (or international standardisation) have provided greater chances and opportunities for closer Japan-Australia security cooperation, as

well as for the US-Japan alliance. If so, the Australian government should encourage Japan's continuous efforts for security reform and if necessary, support its legal, institutional and operational development.

Finally, both Japan and Australia should seek to expand their cooperation with other regional like-minded democracies, especially South Korea and India. Such cooperation is useful not only to counterbalance against the growing Chinese influence, but to gain greater leverage to collectively influence on US policy to Asia. It is also important to prepare for and mitigate the impact of any future "strategic shocks", including a sudden change of the US policy to the region. Japan and Australia can be the centre of such a network of regional cooperation.

*Tomohiko Satake is a senior research fellow at the National Institute for Defense Studies in Tokyo. The views expressed are the author's alone and do not represent the official viewpoint of NIDS or the Japanese Ministry of Defense.*

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<sup>4</sup> Penny Wong, "Trump's election is a turning point for Australian foreign policy", *The Sydney Morning Herald*, November 15, 2016, <http://www.smh.com.au/comment/trumps-election-is-a-turning-point-for-australian-foreign-policy-20161114-gsp5kd.html>.

<sup>5</sup> Tomohiko Satake, "Why a strong Japan-Australia relationship matters", *East Asia Forum*, 2 June 2015, <http://www.eastasiaforum.org/2015/06/02/why-a-strong-japan-australia-relationship-matters/>.

ANDREW PARKER

# Making our own luck



*If we are going to turn the economic opportunity of Asia into a reality, our strategic interests, both economic and security, desperately need to be understood in the context of a bi-partisan, long-term vision for our place in the region.*

Australia has done tremendously well over the last 25 years exporting our commodities to Asia. Our agricultural products and mineral resources have benefitted from economic growth in the region and fed a rapidly growing middle class.

But how long will the good times last? When, exactly, will the “lucky country” run out of luck? Some say it started with the end of the resources investment boom; others believe it began when productivity growth started to slow in the early 2000s.

What's not in dispute is that the last quarter of a century of sustained economic growth cannot and will not continue indefinitely. If Australia wants its economic prosperity to endure, we need to start making our own luck.

The facts speak for themselves: our economy is slowing, our terms of trade are slipping, productivity growth is weak, our governments spend more than they raise from taxes and we are looking down the barrel of a national debt approaching \$300 billion, or nearly 20 per cent of GDP. While low by international standards, our debt is greater than at any time in our history and double what it was in 2013.

On top of this, the global economic outlook is still sluggish, and demand for mineral commodities remains flat. Our once-reliable strategy of digging up iron ore and coal and shipping it to Asia simply won't cut it anymore.

So we face very real challenges as a nation to find new sources of growth that diversify our economic base, create more and better paid jobs for our children, and provide for an ageing population.

### Missing an opportunity on our doorstep

So what's the alternative? Australian businesses say they are looking for new growth opportunities, yet they are largely ignoring the world's fastest growing region.

In the next 15 years, four of the world's five largest economies in purchasing power parity terms will be in Asia: China, India, Japan and Indonesia, with only the United States interrupting Asia's economic dominance.

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*In the next 15 years, four of the world's five largest economies in purchasing power parity terms will be in Asia: China, India, Japan and Indonesia, with only the United States interrupting Asia's economic dominance.*

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two-thirds of an Australian economy. And let's not forget the ASEAN Economic Community (AEC). With a population of 620 million, nearly half under the age of 30, the AEC is, a \$US2.6 trillion economy growing at around five per cent per annum.

By 2030 two-thirds of the world's middle-class consumers – a staggering 3.2 billion, technologically enabled consumers – will live in the region.

China alone, in the midst of a difficult period of transition itself, produces one-third of the world's growth in total economic output and in 2016 added over \$US700 billion to its GDP. To put this into context, that's around

The opportunities are extraordinary, but so far remain overlooked by most Australian businesses. In fact, Australian businesses have invested more in New Zealand (\$60 billion in 2015) than they have in all ASEAN countries plus China, Japan, India and Korea combined (\$59 billion).

Our economic relationships in the region are still built around our exports of bulk commodities: we are effectively still a quarry and a farm. We trade with Asia but we are not in Asia.

### High-value goods and services: the new growth engine

As Asia's economies mature and consumption of products and services grow, there will be increased demand for the "other" things Australia is good at – clean and safe food and agriculture, tourism, education, and infrastructure.

Our quality education system means we also have strong capabilities in service industries like accounting, legal, healthcare, engineering, architecture and financial services, to name a few. These can be the drivers of a new wave of growth for Australia in Asia. If the last 25 years has been

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*If the last 25 years has been about shipping our bulk commodities to Asia, the next 25 will be a story of consumption and services.*

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about shipping our bulk commodities to Asia, the next 25 will be a story of consumption and services.

And to some extent, the shift is already taking place. In each of the past two years, the total value of exports to China has declined, largely a result

of weaker commodity prices. But while the export of goods has fallen, the export of services has increased from \$7.1 billion in 2013 to \$9.8 billion in 2015. Our service exports to China now exceed the value of our iron ore exports to Korea and Japan combined.

International education and tourism are our third- and fifth-largest exports respectively. Together they generated export revenues of more than \$35 billion across the region last year. These sectors employ more than 500,000 Australians.

China is expected to become Australia's largest source of tourist arrivals, eclipsing New Zealand in 2017-18. Already our largest market if measured by total expenditure, Chinese visitors in Australia will account for 43 per cent of the growth in arrivals and 60 per cent of the growth in visitor expenditure over the next decade, according to Austrade.

Trade in goods and our “export services” of education and tourism will remain important elements of the Australian economy and our relationship with Asia. The biggest opportunity though lays in tapping into the domestic markets in the region. To be part of those markets, Australian firms will have to be where the consumers are – and that is increasingly in Asia.

Of course, any projections of Asian success are not without risk. The region will require immense investment in infrastructure and improvements to political, economic, legal and social institutions. But as one of only a few developed economies in the region, Australia is well positioned to help others and ourselves with rapid advances in technology, innovative ideas, and our concentration of talented people.

If all this sounds too hard, we could, of course, accept the status quo, with economic growth expected to run in the 2-3 per cent range for the foreseeable future. While that’s well below our long term trend rate of 3.3 per cent, we’ll still do better than the major North American and European economies. The question is, are we happy with “okay”? Because if we are, it leaves us with a stark choice: accept a lower standard of living or leave our children with an even bigger debt burden.

One alternative is that we change the way we do business and take some calculated risks by stepping into Asia. To be sure, the operating environment is not straight-forward, and the opportunities are not risk-free. But then growth is never a risk-free proposition and the biggest risk may very well be in doing nothing at all.

## Competition, capital and geopolitics can't be separated

Another factor we need to consider when thinking about the future of our economic relationship with Asia is capital. Because Australia’s capital investment requirements exceed the funds made available from savings to finance those investments, we are a net importer of capital. This has been the case since Federation and is not a bad thing – it was Japanese capital that funded the development of our iron ore industry in the 1960s. Foreign capital supports investment, and investment drives innovation, productivity, growth and jobs.

For the past century, most of our capital has come from Europe and the US because that’s where the net surplus of savings has been. But in a post-GFC world, this is no longer the case, and we are increasingly relying on Asia, particularly Japan and China, to meet our capital requirements.

While much of the focus is on China, Japan has quietly overtaken the UK as Australia’s second largest foreign direct investor with total investment surging by 21 per cent to \$86 billion in 2015. And although China is only our fifth largest supplier of direct investment, the stock of \$35 billion at the end of 2015 has largely been accumulated in the last decade. More critically, our two-way trade with China reached \$155 billion in 2015, more than double that with the US which is our next largest partner at \$70 billion.

Capital, ultimately, goes where it is wanted, and Australia cannot simply assume it will remain a preferred destination, or even entitled to a share when competing on a global stage, especially when we appear to be inconsistent in our views on foreign investment. And China, for example, has made

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*The business community – traditionally at arm’s length from our strategic and security decision making – urgently needs to be heard making the economic case to the community.*

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this clear in a number of ways: while “friendship” has economic benefits, conversely, there are economic costs associated with actions seen as “unfriendly”.

Up to now, our economic relationships in the region have been largely separated from our security and geopolitical ones.

Business gets on with doing business and our elected

representatives and public servants deal with issues of national security and regional politics.

But tensions in the South China Sea, concerns about Chinese influence on Australian society and a recent string of decisions to block foreign – notably Chinese – investment suggests that business and politics are not so neatly separated. In the new world, our economic and our security interests go hand in hand. This should not necessarily be cause for alarm in Australia but we do need to pay attention. The business community – traditionally at arm’s length from our strategic and security decision making – urgently needs to be heard making the economic case to the community. Our government and business leaders need to be engaged in these discussions together in a meaningful and informed way. The stakes are high and it will not be easy to get this right, but we need to – our economic future depends on it.

## We need a national conversation about foreign investment

Despite reassurances behind closed doors, Chinese investors must be wondering how welcome they are in Australia. Almost every major transaction involving China in the past year – Ausgrid, Port of Darwin, S. Kidman & Co, Van Diemens Land – has ignited a slew of poorly informed and inflammatory commentary, and led to understandable confusion and disappointment among Chinese investors.

Nothing kills investment quicker than uncertainty or inconsistency. Wherever there's a cloud over the rules, we also leave ourselves wide open to accusations of xenophobia and populism, whether warranted or not. The lack of clarity and certainty around the way the rules are applied and the fact that deals are too often used as political footballs is not a sustainable state of affairs for a capital importing country.

There is nothing wrong with saying “no” to an investment that's not in our national interest. But we do have to be clear about what we want

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from foreign, particularly Chinese, investment. Today we are not there. It's time to take a step back and remind ourselves why we have foreign investment and the vital role it plays in ensuring the health of our economy.

At the same time having more information about ownership, and developing some decision frameworks

around critical infrastructure, agricultural land and residential real estate would go a long way to addressing the genuine concerns of both investors and the public.

None of this is to suggest that Australia should play down the priority of security in our national interest. But it's essential that economic decisions also factor prominently in our strategic deliberations around foreign investment.

## We need a long-term economic and political vision

If we are going to turn the economic opportunity of Asia into a reality, our strategic interests, both economic and security, desperately need to be understood in the context of a bi-partisan, long-term vision for our place in the region.

Governments have a vital role to play in providing such a vision, but ultimately it must come from the Australian community and, in particular, business. In order to take the risks and make the necessary investments in Asia, we need a deeper partnership between business and government that will provide more certainty than a three-year election cycle.

This process is neither scary, nor new: we've had attempts going back to the 1970s. The most recent effort, the Asia Century white paper, placed Australia-Asia relations squarely into mainstream political and economic discussion in 2012. The paper wasn't perfect, but it did get us thinking again about the opportunities to our near north. It may well have formed – indeed, still could form – the basis of the vision we need. We should dust the paper off and revisit it and the proposed Foreign and Trade Policy White Paper is a golden opportunity to do just that.

## We're running out of time to act

Our world is changing, and Australia needs to respond now if it wants to be a positive part of that change. The next 25 years could be spectacular for our country, but we can't take that for granted.

We need to ask ourselves: are we satisfied with the status quo; are we prepared to let this opportunity pass us by?

If not, then we need to act. First and foremost we need a long-term vision of our role in the region, informed by a meaningful and transparent national conversation, freed from day-to-day politics. This conversation should be led by the business community and supported constructively by governments. It also requires businesses to take some calculated risks: invest more in the region and make greater use of the talent at your fingertips.

We should be confident but we cannot afford to be complacent. The Asian Century is upon us, and it's not waiting for Australia.

**Andrew Parker** is Partner, Asia Practice Leader at PwC and an Asia Society Advisory Council member.

# Connect don't compete with a rising region



*Active involvement in the region – through investment, collaboration and training a new, skilled, global workforce – will see Australia rise alongside Asia, rather than compete with it.*

As former Prime Minister Julia Gillard said some years ago, “Whatever else this century brings, it will bring Asia’s rise.” It is hard to disagree and what is more, this rise will change Australia’s economy and society.

As a nation, the success of our relationships with our neighbours in the Asia Pacific has played a fundamental role in our ability to maintain prosperity through a tumultuous period of global change. We now face new challenges and must deepen and diversify these relationships in order to sustain this success.

Just as Telstra aspires to be a world-class technology company, Australia should aspire to be a world-class technology nation. That ambition must be built on maximising our participation in the enormous scale of technological innovation and consumption under way in countries like China, India and Indonesia, as well as a clear understanding of the changes this will unleash on both these countries and the wider world.

## A unique perspective of a changing Asia

Telstra has been operating in Asia for more than 50 years. What we see today are two transformative phenomena at play, creating a major force for change.

On the one hand, the rapid evolution of online and mobile technology is transforming the way we all work and live, nowhere more so than Asia. On the other, the emergence of a middle class of consumers in Asia, expected to continue its growth trajectory and double to more than 1.2 billion households by 2030, has made the region a global economic force.

Today, almost half of all internet users can now be found in the Asia Pacific, with hundreds of millions of people across the region now busily creating and consuming new digital products. There are on average 20 new mobile broadband subscriptions every second, with around half of these in the Asia

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Pacific region. China alone is expected to add more than 250 million new mobile subscriptions over the next five years.

From Telstra's position as the operator of the largest submarine cable network in Asia, we can see that not only are there more devices being used, but people are using them more. Driven by social networking and video streaming, internet

data consumption increased globally by 70 per cent last year – and Asia represents the largest data-consuming region in the world.

A critical point when reviewing these remarkable growth figures is that Asian markets comprise more than just technology consumers. These countries are actively shaping the development of the technology ecosystem.

Last year, 90 per cent of new mobile device models came from Asian vendors, such as Samsung, Huawei, Xiaomi and Micromax. When it comes to the applications that operate on these devices, it is estimated around a third are developed in Asia. The region is increasingly the source of world-leading entrepreneurs.

China has emerged as the world's largest e-commerce market supplanting the United States, and innovation continues apace. The mobile payment products of Chinese technology giants Tencent (WeChat Wallet) and Alibaba (AliPay) have a much deeper penetration in China than Apple Pay's penetration in North America.

Despite this success, there remains enormous opportunity for continued growth. India is the second biggest internet market in the world with 277 million people connected, but that is only 25 per cent of the population. Similarly in Indonesia, less than half the population has access to the internet. As millions more people in Asia come online in the years ahead, we should expect them to produce hugely disruptive innovations using business models perhaps not even considered yet but are honed in their domestic markets.

## Australian innovation in Asia's century

As a nation, Australia has never been shy of innovation. From the Hills Hoist to the black box flight recorder and from Wi-Fi to Cochlear implants, our inventors, entrepreneurs and innovators have made a disproportionate impact on the world. It has to be the primary objective of everyone – from sole

traders to government – to maintain that reputation and continue to thrive in our new world.

The good news is that inventiveness is inherent in many Australian organisations. The latest data from the Australian Bureau of Statistics shows 45 per cent of all Australian businesses were innovation active in 2014-15, up from 37 per cent in 2006-07.

Australian policy makers, businesses and leaders are quite rightly focused

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*Australian policy makers, businesses and leaders are quite rightly focused on innovation and encouraging the technology sector in Australia. What these trends show is that this will only succeed if we look to our neighbours in Asia, not just Silicon Valley.*

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on innovation and encouraging the technology sector in Australia. What these trends show is that this will only succeed if we look to our neighbours



in Asia, not just Silicon Valley, when making investment, collaboration and product decisions.

Australian organisations are very aware of these macro economic changes. Our Disruption, Digital Transformation and Effective Technology strategy report suggests that 73 per cent of organisations consider themselves to be exposed to digital disruption today and around four-in-ten firms believe they are more exposed to a competitive market now than two years ago.

Despite our country's economic growth, we have struggled to match that performance when it comes to national productivity. Innovation is a major driving force for productivity growth by spurring new processes and services that allow us to do more with less. It is a key opportunity we have as a nation to grow and thrive through connecting with Asia.

The former Minister for Industry, Innovation and Science, Greg Hunt put it well in a recent address: "Innovation matters because 45 per cent of our firms are involved in it. Innovation matters because it drives 60 per cent of our national productivity. Innovation matters because it gives us better medicines and safer cars. Innovation is therefore about new or improved goods or services, new processes or new business models.

"That is, it's all about turning ideas into commercial opportunities – to create jobs and better the quality of our lives. However, there are persistent weaknesses within Australia's innovation system, for example, in relation to collaboration between the industry, science and research sectors, and commercialisation of viable research."

Strengthening our technology capability is critical, but to succeed it will need to be achieved with an eye to Asia as a market and a source of innovation, capital and entrepreneurial leadership.

## Creating a policy backbone for a thriving Australia

The future is digital and that is not something Australia can opt out of. Our country needs a clear, long-term innovation vision that details how we are going to invest, develop associated skills, and support our comparative advantages in a global economy.

The rise of Asia and its impact on Australian competitiveness, productivity and economy has contributed to the current policy focus on technology and innovation. It is essential that we invest in our infrastructure, our capabilities and our education so that we as a nation are not left behind.

The implementation of a National Innovation and Science Agenda (NISA) is a step in the right

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direction. The Government has to have a serious, enduring plan for fostering innovation if we are to secure our future economic prosperity. Our country needs a clear long-term technology vision that details how we are going to invest and develop associated skills to support our comparative advantages in a globalised digital economy.

Delivering the innovation agenda and doing so with an explicit Asian focus is

a major undertaking, but we have identified a few areas on which to focus:

### One: Leading the ecosystem

To build an innovative Australian economy we have to engage with leading entrepreneurs, emerging businesses and innovative scientists in Asia. To do

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that, many more Australian companies, big and small, need to be actively involved in the Asia Pacific region's emerging technology ecosystem.

Those countries riding the highest on the digital wave are underpinned by strong and effective relationships between start-ups, universities,

research institutes, venture capitalists, established businesses and Government. This type of collaboration across private and public sectors is absolutely critical – investment, implementation and iterative improvement are required to back up the Government's promises in this area.

Through our early stage, pre-revenue incubator muru-D, Telstra has supported more than 30 selected start-ups in Australia with money, mentoring and a space to grow their ideas. In April last year, we launched muru-D in Singapore giving us the opportunity to connect with some of the region's best digital talent and be part of Southeast Asia's thriving entrepreneurial eco-system.

At the more mature end of the start-up spectrum, we are also investing in new technology business through our venture capital arm. Over the past year we have invested in four technology start-ups in Asia, including Chinese cloud services business Qiniu and C88, which owns and operates the largest e-commerce financial services sites in Indonesia and the Philippines. These investments not only give us access to new technology we can offer to our customers, but they expand our network of relationships in the region.

These sorts of collaborations with technology leaders in Asia will be critical as the region continues its internet and innovation boom. Unfortunately, we do not come across many other Australian companies doing this sort of work in Asia; the technology investment trail still usually leads to Silicon Valley rather than Australia's own backyard.

## Two: Investment in our people

It is absolutely essential that Australia invests to give this generation, and the next, the right types of skills. Investments in STEM – science, technology, engineering and mathematics – are essential to ensure we are building a solid foundation in these core skills across all levels of the curriculum.

It's also vital that our broader workforce, not just our IT specialists and millennials, become digital natives. That requires support extending across primary, secondary, tertiary and workforce education. It should be seen as an ongoing investment to develop the core and emerging skills Telstra, and Australia, will need for the future.

At Telstra we do this through a range of activities – from running university challenges and high school Hackathons to acting as the principal supporter of Code Club Australia, which is teaching primary school children how to write code. At a tertiary level, we are also investing in new technologies like quantum computing, next generation networks and healthcare technology.

For example, Telstra has partnered with the Commonwealth Bank of Australia and the Federal Government to help the development of silicon quantum computing technology in Australia. To do that we have invested \$10 million with the Centre for Quantum Computation and Communications Technology, headquartered at the University of New South Wales.

In this context, it is great to see Governmental acknowledgement that we must do more to encourage women not just to study STEM but to stay working in these important fields.

This investment in people also needs to include supporting connections and relationships between Australia and the countries of the Asian region.

Record numbers of international students now choose Australia as a place to study, with China and India sending the most students our way. This pool of highly skilled people with a connection to Australia, combined with communities of people already living in Australia with a family connection back to Asia, is a huge asset that we need to continue to invest in to ensure long-term relationships are built and maintained.

With physical barriers to communication and collaboration now virtually eliminated by modern telecommunications, the opportunities for direct engagement with vibrant markets and diverse communities in Asia have never been greater.

## Three: Removing barriers to Asian trade

Supporting exports of Australia's knowledge and technology will require a commitment from the

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*With physical barriers to communication and collaboration now virtually eliminated by modern telecommunications, the opportunities for direct engagement with vibrant markets and diverse communities in Asia have never been greater.*

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Australian Government to tackling barriers to trade in services.

Australia has a proud history of advocating for opening up trade in goods, in particular agricultural commodities, but we now need a stronger focus on tackling behind-the-border trade barriers like licensing and regulatory processes in areas like technology services, telecommunications and IT.

This will require our trade negotiators to take a broad view of the diverse

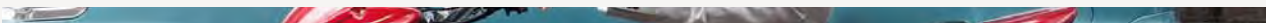
ways economies interact with each other in the connected world, as well as a best practice approach to engaging industry and civil society representatives in relevant, highly technical parts of free trade negotiations.

## Conclusion

The rise of Asia is both a threat and an opportunity. Australia's strong relationships with our Asia Pacific neighbours means we are ideally placed to be part of the coming technology revolution. Active involvement in the region – through investment, collaboration and training a new, skilled, global workforce – will see Australia rise alongside Asia, rather than compete with it. By focusing on our strengths to foster ideas we can become a leader in the region.

**Martijn Blanken** is Group Managing Director  
– Global Enterprise and Services at Telstra.

*Image courtesy of Ellis Cowan.*



# China's innovative nation and what it means for Australia



*China is emerging as an innovation superpower.  
Can Australia benefit from this disruptive transformation?*

The rapid rise in China's economy over the last 38 years is an extraordinary phenomenon with profound implications both for disruption of the geopolitical balance of power and economic relations worldwide. This is in large measure attributable to the very clear ambition of China's

government following its opening up in the late 1970s, the unleashed energy and drive of its private-sector companies and the vast unfulfilled market demands of the Chinese people. A key priority of the Chinese government throughout this transformation has been creating an innovation ecosystem.

By innovation I mean the creation of a commercially useful product, process, service or business model that serves human needs in a new or improved way. Innovation is often incremental, but a creative business model based on technology can be disruptive when it provides value in a radically different manner. The foundations of an innovation ecosystem include not only research institutions in science and engineering, but also mechanisms to allocate funds to high-quality research, taxation policies to stimulate business investment including venture capital, incentives to commercialise ideas, and strengthening of a culture supportive of science and entrepreneurship through education.

China's success has been built on all of these foundations. It spends today 40 per cent of what the US spends on R&D, has built 146 high-tech parks across the country<sup>1</sup>, exceeds the US in domestic patent applications, has almost caught up with the US in publications in scientific and engineering journals, leads the world in high-tech manufacturing output and exports and has bred companies that are now formidable global competitors.

### Chinese firms' evolving innovation capabilities

In our three-year study of innovation in China, my colleague George Yip and I identified three phases in the development of China's innovation capabilities<sup>2</sup>. In the initial phase firms got started by copying products from the West to satisfy exploding demand. Their products were often shoddy, but customers soon demanded better

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*A key priority of the Chinese government has been creating an innovation ecosystem.*

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quality, forcing firms to provide products that were fit for purpose: with only essential features and reasonable in price.

In the second phase, companies aspired to reach world standards so as to enter new sectors and deal with foreign competitors. Examples of such companies are: Alibaba.com (successful in forcing eBay out of the China market); internet-based giants such as Baidu, Alibaba and Tencent; telecoms equipment suppliers Huawei and ZTE; domestic appliance makers Haier and Joyoung; and a host of entrepreneurial start-ups.

<sup>1</sup> State Council, PRC, August 6, 2016. [http://english.gov.cn/news/top\\_news/2016/08/05/content\\_281475409885715.htm](http://english.gov.cn/news/top_news/2016/08/05/content_281475409885715.htm)

<sup>2</sup> George S. Yip and Bruce McKern, *China's Next Strategic Advantage: From Imitation to Innovation*. Boston, MA: MIT Press 2016.

In the third and most recent phase, Chinese companies are deploying the capabilities they acquired in China together with the cash they have earned, to invest in the markets of the developed world. Their emphasis now is on securing brand-names, market access, global managers and technologies where needed. They are expanding beyond China to become competitors inside the markets of the developed world. Established multinational corporations (MNCs) now have to compete with them in their home markets.

### How foreign companies can learn from China

An important lesson for business anywhere is that there are capabilities that foreign companies can strengthen by operating inside China. We identified the following:

- Bold experimentation and rapid iteration
- Innovation through creative adaptation
- New category creation
- "Lean value" focus
- Development of mixed teams and global leaders

These are addressed in detail in our book and a recent *Forbes* article<sup>3</sup>. Although the ideas are not revolutionary, Chinese companies practice them as a matter of course and other companies should be applying them, even if not operating R&D facilities in China.

### The specific implications for Australia

**Government:** China's innovation drive demonstrates that there is an essential role for government in establishing the context in which innovation can take place. Government funding of basic research, as well as applied research, provides technologies that can be tapped by companies, generating spill-overs into private sector innovation<sup>4</sup>. The caveats are that when government funds research, it should focus on three priorities: creating an innovation ecosystem; supporting fundamental research; and ensuring there are incentives and mechanisms to commercialise ideas generated by researchers.

The task of supporting fundamental research in Australia rests primarily with the federal government. In 2014–15 Australia's GERD (Gross Expenditure on R&D by government, business and institutions) was \$33.5 billion, or 2.1 per cent

<sup>3</sup> George S. Yip and Bruce McKern, 5 Strategy Lessons Companies can learn from China. *Forbes Asia*, June 6, 2016

<sup>4</sup> Marina Mazzucato, *The Entrepreneurial State: Debunking Private vs. Public Sector Myths*. London: Anthem 2013.

of GDP<sup>5</sup>. While comparable to the EU average, this percentage is a reduction from its peak of 2.25 per cent in 2008 and less than the US GERD of 2.7 per cent of GDP. Of the 2014-5 amount,

\$10 billion was funded by the federal government to support R&D. The balance (56 per cent of total GERD) was performed by the business sector and mostly funded by it. As in other countries, business spends most of its R&D expenditure on development.

Why is fundamental research important?

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*China's innovation drive demonstrates that there is an essential role for government in establishing the context in which innovation can take place.*

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Can't we simply rely on ideas created by researchers elsewhere in the world and license what we need? The answer is that we do this; it is one reason why firms in Australia have less incentive to perform research locally. But even if we were to use only ideas from abroad, we would still need the capability to absorb foreign inventions, adapt them to our market, and improve on them. That requires local researchers.

More importantly, Australia needs engaging and remunerative employment for more of its people, from companies in Australia. That requires a scientific base to generate ideas entrepreneurs can turn into local innovations, which can also be licensed worldwide and exported as products and services. Breakthrough technology is not essential for every innovation, but technology coupled with new business models is a foundation of new businesses.

Prime Minister Malcolm Turnbull has made innovation a priority with incentives for collaboration and business access to research; refocusing of the Cooperative Research Centres (CRC) programme towards commercialisation; an Industry Growth Centres Initiative aimed at strengthening industry clusters in five sectors of the economy<sup>6</sup>; nine National Science and Research Priorities<sup>7</sup>; and actions to foster education in science, technology, engineering and mathematics subjects.

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<sup>5</sup> Gross expenditure on R&D (GERD), 8104.0 – Research and Experimental Development, Businesses, Australia, 2013-14. Canberra: Australian Bureau of Statistics, 19 April 2016.

<sup>6</sup> The five sectors are food and agribusiness; mining equipment, technology and services; medical technologies and pharmaceuticals; advanced manufacturing; and energy resources.

<sup>7</sup> These priorities are: food, soil and water, transport, cybersecurity, energy, resources, advanced manufacturing, environmental change and health (all priorities for China in its latest five-year plan).

Innovation is in the public eye and scientists and engineers are receiving publicity<sup>8</sup> – a positive move towards changing Australian culture. But the support has not yet translated into increased funding. In the 2015-16 Commonwealth budget \$9.7 billion was allocated to R&D support, a decrease from the previous year. Funding of medical research, where Australia has undoubted strengths<sup>9</sup>, was reduced from the previous year by 10 per cent.

Many small countries invest more intensely in R&D than Australia: Israel spends 4.1 per cent of GDP, Sweden and Finland each spend 3.2 per cent and Denmark 3 per cent. Innovative companies based in these countries have become global leaders. So Australia's R&D budget should be increased to at least 3 per cent of GDP. This would mean total R&D investment reaching \$47 billion, including a further \$5 billion in government spending. Equally important would be an increase in private sector investment of roughly \$9 billion. Foreign corporations have deep R&D pockets: one US pharmaceutical company, Merck, spent US\$7.2 billion on R&D in 2015<sup>10</sup> – as much as the Australian government and half as much as the entire corporate sector. Encouraging the private sector to increase its development spending locally would not be easy, but achievable.

Another issue for government is Chinese foreign direct investment (FDI) in Australia. In principle, FDI is beneficial to the host economy if it is additional to total investment. The caveats have to do with pricing, monopoly, taxation, where business decisions are made and how they can affect local output, employment and tax revenues.

It is therefore appropriate that the Australian government has a review process for inward FDI on a case-by-case basis. While investments by private entities, including Chinese, enjoy high thresholds, for state-owned enterprises the threshold is zero. China also has an approval process for inward FDI which is more restrictive than that of its major trading partners and not highly transparent. The Australian approach is more transparent and the chief criterion for approval in Australia is the national interest, in that respect not too dissimilar to China's.

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<sup>8</sup> The naming of Emeritus Professor Alan Mackay-Sim, a pioneer in the field of adult stem cell research, as Australian of the Year in 2017, sent an important message.

<sup>9</sup> Australia was ranked number 3 in publications in the Health Professions field in 2015. But its ranking in molecular biology and related fields is closer to its average for all fields. SJR Scmago, Journal & Country Rank. [Schtpp://www.scimagojr.com/countryrank.php](http://www.scimagojr.com/countryrank.php)

<sup>10</sup> 2015 Global Innovation 1000 study. Strategy&, 2015.

**Start-ups:** In recent years Australia has become the home to many more start-up ventures than before. There is a developed venture capital industry and angel investor groups in the major cities. Some thirty incubators and accelerators, several not-for-profit, are operating across the country. They offer working space and a collegial atmosphere, as well as advice from mentors and entrepreneurs. The CSIRO also has two accelerator programs, which require a CSIRO researcher along with business entrepreneurs in mentor-supported teams.

New start-ups cover a great variety of fields, with internet applications and financial technology most popular. There are a few sizeable new companies, including at least one unicorn,<sup>11</sup> Atlassian, and half a dozen multi-million dollar companies<sup>12</sup>. In fintech alone, there are already nine Australian companies in the Global Fintech 100<sup>13</sup>. But not enough startups have yet the basis for scaling up to billion dollar companies. Scale is a question of the business model, time, the size of the local

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*China spends today 40 per cent of what the US spends on R&D, has built 146 high-tech parks across the country and exceeds the US in domestic patent applications.*

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market and whether the product has application to global customers. To grow to unicorn size, Australian entrepreneurs need to aim at business models that are scalable to global markets and relevant to customers beyond our borders.

China has such a market and there are many opportunities for good ideas. Fintech in China is

attractive because the banking sector is inefficient, the market is huge and it is under-served. Internet and mobile banking are well advanced in China, with 688 million Chinese on line and high acceptance of mobile commerce. On the negative side, fintech is difficult for newcomers because there are many local start-ups and the established companies hold strong positions<sup>14</sup>.

There are many other areas in China where new ideas and businesses are needed. These include healthcare and health products; robotics and artificial intelligence; advanced manufacturing; agriculture, safe food and environmental remediation; services such as insurance,

superannuation and investment management: and facilities for retirement and the aged.

Entry into China is difficult, but with the right advice and risk mitigation, including protecting IP

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*Entry into China is difficult, but with the right advice and risk mitigation, the opportunities are enormous.*

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with a Chinese patent, the opportunities are enormous. Some of the incubators can help: Stone & Chalk, a Sydney fintech incubator, has a team focused on China, while Fishburners, based in Sydney and Brisbane, has set up an incubator in

Shanghai's Caohejing High-tech Park, an ideal place to develop business models for the China market.

**New Australian opportunities in China:** There are many Australian companies active in China, but some have withdrawn due to market adaptability, bureaucracy and other difficulties. With China's new emphasis on internal consumption, advanced manufacturing and importantly, environmental improvement, there will be good opportunities for Australian firms whose businesses fit the new priorities mentioned above. Environmental remediation is a very important part of the 13th Five-year Plan and related initiatives will get support. But it is essential to collaborate with a local research institution or business if government funding is sought.

Manufacturing in Australia has steadily declined, to 6.5 per cent of GDP in 2015 with a heavy toll on companies and workers. Given our relatively high labour costs, a focus on high-tech manufacturing is

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*The goal should not be to bring back labour-intensive industries, but to build advanced manufacturing through innovation, as proposed for the new US administration.*

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the only way the sector could enjoy a renaissance. The goal should not be to bring back labour-intensive industries, but to build advanced manufacturing through innovation, as proposed for the new US administration<sup>15</sup>.

Areas for focus should obviously be based on intellectual property rather than unskilled labour. An example where

Australian firms are already active is engineering and architectural consulting. Local firms also have experience in agriculture, food safety, managing

<sup>11</sup> Over \$1 billion in revenue.

<sup>12</sup> Australia's top 32 start-up tech successes and why they matter, *Australian Financial Review*, December 21, 2015

<sup>13</sup> *2016 Leading Global Fintech Innovators*. H2 Ventures and KPMG, 2016.

<sup>14</sup> Five Chinese companies are in the Global Fintech top ten. See: *2016 Leading Global Fintech Innovators*, op.cit.

<sup>15</sup> Andrew N. Liveris (Chairman of Dow Chemical), *Make it in America: the Case for Reinventing the Economy*. Hoboken NJ: Wiley, 2011

hospitals and medical systems and specialised fields of health, such as blood, plasma and vaccines<sup>16</sup>. These are all priorities for China.

Advanced manufacturing is not only about new product invention. Japan taught the world in the 1960s and '70s that management was equally important. Rapid prototyping, improving the production process, economising on materials, combining components, eliminating steps, outsourcing ideas, just-in-time inventory control, robotics, TQM – these are all innovative approaches used by Chinese companies.

A successful example of this approach is Germany, which, despite being a high-cost country, excels in a range of high-technology industries, where Mittelstand<sup>17</sup> companies are widespread. Long-term vision, niche focus, technological education including at vocational level, and collaborative relationships between workers and management have been part of the German manufacturing miracle. A concerted program in Australia could create a new export-oriented high-value manufacturing sector, for which Asia would be the closest market.

### Australia: innovating for the world?

Australia has not been a major attractor for multinational R&D centres due to its small domestic market and labour costs. However, a few firms have used Australia as a base to develop products and services for the Asian region (for example the French company Thales) and an opportunity may be emerging. China has become more demanding of MNCs and some have decided to quit China<sup>18</sup>. For companies that had set up R&D in China primarily to satisfy government or to get access to researchers, Australia could provide an alternative location.

Such a shift would be more attractive to MNCs producing global products, where little adaptation is needed from one market to another. But those companies have the choice of locating their R&D centres in other advanced countries, so Australia would have to have a competitive taxation regime and leadership in the relevant fields of science. A long-term vision is needed.

Another development is the announcement by Alibaba.com in February 2017 that it is setting up in Australia. Throughout China, the company has made a major contribution to the viability of ten million small businesses<sup>19</sup> with its Taobao platform. eBay already provides a platform for companies and individuals in Australia, but Taobao provides its Chinese sellers with financial, marketing and logistics support. If Alibaba does this in Australia, small companies will get support for selling to global markets, including China.

There are many opportunities for established companies and start-ups in China. And a business innovation that works for China will often suit other markets in Asia and the developed world, as MNCs have learned through “reverse innovation”<sup>20</sup>. In every case, the key factors will be understanding the customer and the foreign culture – the institutional and competitive environment – together with a scalable business model founded on capabilities. The foundation is there, but much needs to be done to accelerate the momentum. Government, research institutions, education, business and above all, Australia’s entrepreneurial young generation, will determine our success.

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<sup>16</sup> Australian multinational CSL is active in these fields, investing \$US463 million worldwide on R&D in 2015.

<sup>17</sup> Middle-sized companies (SMEs)

<sup>18</sup> Why foreign companies are shutting shop in China, *South China Morning Post*, February 2, 2017.

<sup>19</sup> Alibaba Group Holding Limited, Form F-1 Registration Statement, Securities and Exchange Commission, Washington 2014.

<sup>20</sup> Jeffrey R. Immelt, Vijay Govindarajan and Chris Trimble, How GE Is Disrupting Itself, *Harvard Business Review*, October 2009.



# Full house: how property pressures impact intercultural relations



*The rise of Chinese real estate investment is unsettling both the federal government's geopolitical aspirations and inter-cultural relations on the ground in Australian cities.*

The pro-foreign investment stance must be accompanied by education about its risks and benefits, policies to improve housing affordability and strategies to protect intercultural community relations in Australia.

There is bipartisan support for foreign investment in residential real estate. But the politics of non-white

citizens purchasing real estate is a highly charged cultural issue in Australia that is linked to national housing identities such as the great Australian dream of homeownership<sup>1</sup>.

<sup>1</sup> Rogers D. (2016) *The Geopolitics of Real Estate: Reconfiguring Property, Capital and Rights*, London: Rowman & Littlefield International.

In a recent study<sup>2</sup> we found there are high levels of public concern and discontent about foreign investment amongst Sydneysiders.

Sydneysiders are living in a city where the cost of living is extremely high. Participants in our study identified a range of factors that they believed contribute to rising house prices in Sydney, with the most commonly identified factor as foreign investment. This was twice as likely to be selected than domestic factors such as negative gearing and the purchase of one's own home.

The majority of participants did not believe foreign investment should be permitted in Sydney, and more than three in four agreed that foreign investment was driving up house prices in Sydney. In line with this, just under two thirds did not think foreign investment should be encouraged and more than half believe that the government is not effectively regulating foreign investment.

These views run counter to the federal government's policy in regards to foreign investment. Furthermore, our study<sup>3</sup> found that members of the general public in Australia misidentified ethnic Chinese Australian citizens who were buying Australian real estate as being "Chinese bidders" and "Chinese nationals". The rise of Chinese real estate investment is unsettling both the federal government's geopolitical aspirations and inter-cultural relations on the ground in Australian cities.

In terms of the foreign investment context, the Australian government noted recently that the quantitative data on foreign real estate investment is unreliable and patchy in Australia<sup>4</sup>. Notwithstanding these data problems, according to some of the more reliable data sources, taken here from the Foreign Investment Review Board (FIRB), Chinese investment in residential and commercial real estate increased from \$2.4 billion in 2009/10 to \$24.3 billion in 2014/15. This is an increase of over 900 per cent with China being one of the largest sources of foreign real estate capital in Australia during the 2009 to 2015 period. Reportedly, Sydney has received more Chinese investment in residential real estate than any other Australian city<sup>5</sup>, with Asian foreign

investors accounting for 9.4 per cent of purchases of new dwellings in New South Wales (NSW) in the fourth quarter of 2015<sup>6</sup>.

## Chinese immigration has a deep cultural history

The cultural politics of foreign real estate investment became more visible when the federal government's geopolitical commitment to Asia was entangled with the media reports linking Chinese investors with increasing property prices and corruption. This was particularly the case with the commentary associated with the 2014 *Parliamentary Inquiry into Individual Foreign Investment in Residential Real Estate*<sup>7</sup>.

Much of the contemporary data on Asian investment is focused on Chinese capital flows into or out of Australia, and is collated from national or real estate industry quantitative data<sup>8</sup>. This positions Chinese investment largely as an abstract issue of foreign

capital flow through a local asset class – in this case real estate – with little consideration of the far more complex historical, cultural, and demographical implications that China and Australia must address on-the-ground.

For example, some analysts<sup>9</sup>, lending support to the federal government's pro-Asia geopolitical

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*The cultural history from the early nineteenth century of the Chinese diaspora in Australia is replete with moral panics and fears of an "Asian invasion" or "Chinese takeover".*

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position, argue that Australia is in a unique position with respect to Asia, because more "than 8 per cent of Australia's population was born in Asia. This is a much higher percentage than in other Anglophone countries such as the US (4 per cent) and the UK (2 per cent) ... Asian Australians bring with them linguistic skills, social networks and cultural knowledge, which can enhance links between Australia and Asia. But their role and contribution is insufficiently recognised."

<sup>2</sup> Rogers D, Wong A and Nelson J. (2017) *Public Perceptions of Foreign and Chinese Real Estate Investment: Intercultural Relations in Global Sydney*. Australian Geographer

<sup>3</sup> Rogers D, Lee CL and Yan D. (2015) *The Politics of Foreign Investment in Australian Housing: Chinese Investors, Translocal Sales Agents and Local Resistance*. Housing Studies 30: 730-748, 2015.

<sup>4</sup> Rogers D and Dufty-Jones R. (2015) *21st Century Australian housing: New frontiers in the Asia-Pacific*. In: Dufty-Jones R and Rogers D (eds) *Housing in Twenty-First Century Australia: People, Practices and Policies*. Aldershot: Ashgate.

<sup>5</sup> KPMG (2016). *Demystifying Chinese Investment*. KPMG and University of Sydney.

<sup>6</sup> National Australia Bank. (2016) *NAB Residential Property Survey: Q4 2015*. Sydney: National Australia Bank, 2016.

<sup>7</sup> House of Representatives Standing Committee on Economics. (2014) *Report on Foreign Investment in Residential Real Estate*. Australia Government, Canberra.

<sup>8</sup> Buckley P, Clegg J, Cross A, et al. (2010) *The determinants of Chinese outward foreign direct investment*. In: Buckley P (ed) *Foreign direct investment, China and the world economy*. Basingstoke: Palgrave Macmillan, 81-118. 2010.

<sup>9</sup> Ang I, Tambiah Y and Mar P. (2015) *Smart Engagement with Asia: Leveraging language, research and culture*. Melbourne: ACOLA.

The need for frequent political reinforcement of these cultural, language and geopolitical links is important in Australia. Indeed, the cultural history from the early nineteenth century of the Chinese diaspora in Australia is replete with moral panics and fears of an “Asian invasion” or “Chinese takeover”<sup>10</sup>. Large numbers of immigrants from China were attracted to goldfields in the states of New South Wales and Victoria from the 1850s, and the Chinese population in Australia grew from a very few in 1841 to 38,000 in 1861. Questions about moving Asian labour and capital through land have been central to the resistance to Chinese migrants in Australia ever since<sup>11</sup>. The Australian government has been officially dealing with racism, immigration and land disputes in relation to Chinese immigrants since the gold rush era. This history shows that a

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*These new Chinese investors and migrants have complicated cultural identities and nation-state allegiances and they are engaged in international real estate practices that transcend static cultural stereotypes.*

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racial politics that sought to change the way the Chinese migrants moved and used their labour or capital through Australia's colonised land – land first stolen from Indigenous peoples – has long been central to white Australia's claims to land in Australia.

Despite and at times in the face of the periodic revival of a marginal but nonetheless familiar troupe of anti-Asian “invasion”

or “takeover” discourses, significant migration from China occurred from the early 2000s. Between 2001 and 2011 182,836 or 57.3 per cent of all China-born immigrants came to Australia, and in 2014 there were 447,370 China-born people living in Australia, accounting for 1.9 per cent of the country's total population<sup>12</sup>. Australia's skilled migration and foreign student programmes were important drivers with many Chinese international students gaining permanent residency in Australia following their tertiary studies. Chinese international students

continue to be an important consideration within contemporary analyses of the rise in Chinese investment in Australian real estate<sup>13</sup>.

The Chinese diaspora is increasingly mobile throughout the Asia-Pacific region. Not only are they a powerful force in the real estate market as property consumers, many within this cohort act as middle-men or women through their roles as global investment lawyers, accountants, and real estate agents to facilitate the movement of people and money from Asia to Australia<sup>14</sup>.

These new Chinese investors and migrants have complicated cultural identities and nation-state allegiances and they are engaged in international real estate practices that transcend static cultural stereotypes. For example, much changes about the cultural identity of a typical Chinese foreign student living in an Australian house that was purchased with foreign capital as they finish their studies and move toward becoming a nationalized Australian. In this hypothetical case, the money that was used to purchase the real estate will always be foreign, but the cultural identity of the investor is always in flux. Thus, recording the timeframe over which a dwelling is owned as well as the mobility of the investors and their money are important for understanding foreign real estate investment in Sydney.

Within this context our research explored Sydneysiders' perceptions of foreign investors in Sydney, with a particular emphasis on Chinese investors. While there is an assumption in public policy and media rhetoric that there is a high level of public concern about foreign investment, there is surprisingly little data that examines public perceptions. In our study we were interested in whether the dominant voices in this debate represent broad public views about this issue. Understanding public perceptions could inform how governments regulate and journalists report on foreign investment.

<sup>10</sup> Jayasuriya L and Pookong K.(1999) *Asianisation of Australia?: Some Facts about the Myths*, Melbourne: Melbourne University Press.

<sup>11</sup> Rogers D. (2016) *The geopolitics of real estate: Reconfiguring property, capital and rights*, London: Rowman & Littlefield International. And Rogers D. (2016) *Uploading real estate: Home as a digital, global commodity*. In: Cook N, Davison A and Crabtree L (eds) *Housing and Home Unbound: Intersections in Economics, Environment and Politics in Australia*. London: Routledge, 23-38.

<sup>12</sup> Department of Immigration and Border Protection (2016) *Country profile: China*. Australian Government. Canberra.

<sup>13</sup> Robertson S and Rogers D. (2017) *Education, Real Estate, Immigration: Brokerage Assemblages and Asian Mobilities*. *Journal of Ethnic and Migration Studies*.

<sup>14</sup> Rogers D. (2017) *Becoming a super-rich foreign real estate investor: globalising real estate data, publications and events*. In: Forrest R, Wissink D and Koh S (eds) *Cities and the super-rich: real estate, elite practices and urban political economies*. Basingstoke: Palgrave Macmillan. and Rogers D. (2016) *Uploading real estate: Home as a digital, global commodity*. In: Cook N, Davison A and Crabtree L (eds) *Housing and Home Unbound: Intersections in Economics, Environment and Politics in Australia*. London: Routledge, 23-38.

## Public Perceptions of Asian Real Estate Investment and Investors

In 2015 we conducted an online survey with 899 residents in the Greater Sydney region to examine their beliefs about foreign and Chinese residential real estate investment. A majority of Sydney-siders responding to our survey expressed concern about foreign investors and foreign investment. Over half of all participants (55.9 per cent) disagreed that foreign investors should be allowed to purchase residential real estate in Sydney. Less than one in five (18 per cent) agreed that foreign real estate investment should be permitted. The resistance to foreign investors and investment was coupled with perceptions that foreign investment and investors are driving up real estate prices and making it harder for Australian citizens to compete in the local housing market. More than three in four participants (77.9 per cent) agreed with the statement "Foreign investment is driving up housing prices in greater Sydney". When inversely framed, as "Foreign investment has no impact or very small impact on greater Sydney's housing market" more than two-thirds of participants disagreed with the statement. Only a small proportion of our participants disagreed that foreign investment was implicated in increasing real estate prices (6.2 per cent), or agreed

*While there is an assumption in public policy and media rhetoric that there is a high level of public concern about foreign investment, there is surprisingly little data that examines public perceptions.*

that foreign investment had no or minimal impact (11.3 per cent).

These concerns about foreign investors and investment were consistent with participants' views about the government's foreign investment policies. A little over half (63.4 per cent) of participants disagreed that the "Government should encourage more foreign

investment in greater Sydney's housing market". Only 12.3 per cent of participants agreed with this statement. These figures stand in strong contrast to the federal Government's geopolitical position to encourage foreign investment<sup>15</sup>. However, over half of the participants (52.2 per cent) disagreed that the government has regulated foreign residential real estate investment effectively; with only 16.7 per cent agreeing that government regulation was effective.

<sup>15</sup> Report on Foreign Investment in Residential Real Estate (2014). Canberra: Australia Government (House of Representatives Standing Committee on Economics).

We were also interested in Sydneysiders perceptions of Chinese investors buying properties in their locality. Survey participants were presented with the statement "I welcome Chinese foreign investors buying properties in my suburb". Almost half (48.6 per cent) of our participants disagreed with this statement, compared to just 16.1 per cent who welcomed Chinese investors. On the issue of Chinese investment in other asset classes, such as agricultural assets, 67.6 per cent of participants agreed with the statement that "I am concerned about growing Chinese investments in Australia in areas other than housing (e.g. agricultural land, infrastructure or other type of investment)" compared to only 8.8 per cent who disagreed with the statement.

This shows more research is also need across the different investment types (e.g. residential and commercial real estate) and geographical scales (e.g. large agriculture land sales and the relatively more contained urban concentrations of residential real estate investment in cities).

## Conclusion

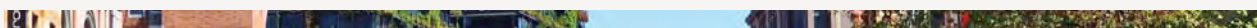
If the federal government wants to court foreign investment, then better education about the possible risks and benefits is needed. Increasing Asian real estate investment is having an impact on inter-cultural relations on the ground in Australian cities. Our findings suggest that the pro-foreign investment stance must be accompanied by strategies to protect intercultural community relations in Australia. To understand the politics of foreign and Asian real estate investment a more holistic approach to understanding the issue is needed. This should include the intersection of domestic investment, foreign investment and housing affordability concerns. Indeed, if the federal government wants to continue to protect intercultural community relations in Australia they need to: (1) better educate the public about the cultural, urban and financial costs and benefits of foreign investment; and (2) address the housing affordability problem.

Dallas Rogers is from the University of Sydney.

Jacqueline Nelson is from the University of Technology Sydney.

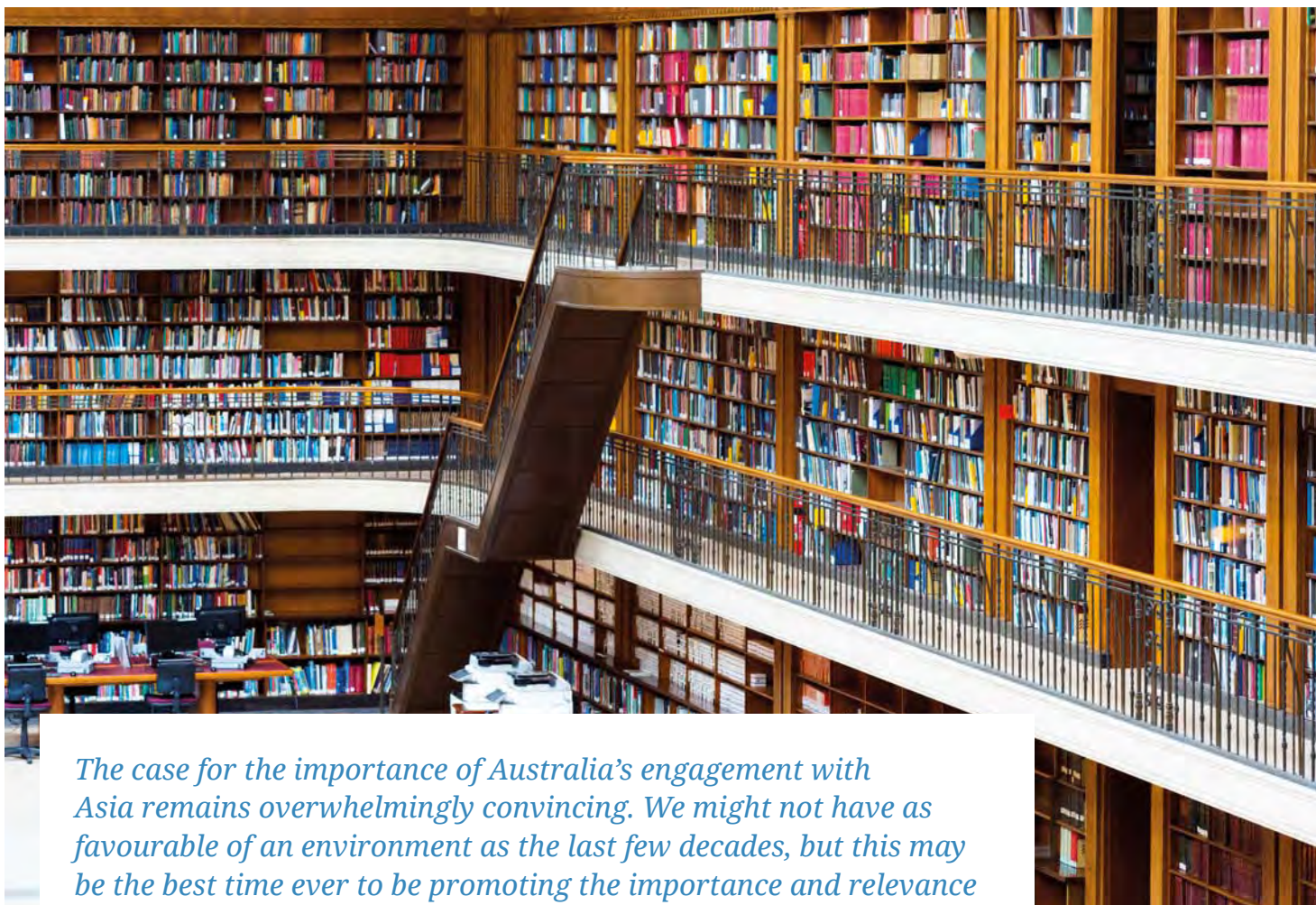
Alexandra Wong is from Western Sydney University.

*This article provides a summary of a journal article published in Australian Geographer titled 'Public Perceptions of Foreign and Chinese Real Estate Investment: Intercultural Relations in Global Sydney'.*



KENT ANDERSON

# Don't look back, Asian Studies has a positive future



*The case for the importance of Australia's engagement with Asia remains overwhelmingly convincing. We might not have as favourable of an environment as the last few decades, but this may be the best time ever to be promoting the importance and relevance of a deep and nuanced understanding of Asia.*

Some would say that over the last few years Australia's educational engagement with Asia has slid into quiet neglect. While acknowledging the more challenging environment, re-engagement is possible by using the institutional levers within our control to affect the improvements we desire, rather than merely meekly seeking more benefaction.

We need to reinvigorate with policymakers and the general public the support for Asia engagement, but in doing that we need, to begin with, a clear-eyed assessment of our current position. We might not have as favourable of an environment as the last few decades, but that there are many elements that make this the best time ever to be promoting the importance and relevance of a deep and nuanced understanding of Asia.

To appreciate where we may be heading, however, we still need to reflect on how the landscape has changed in challenging ways.

Asian Studies is not just Asian languages, but I use this as a proxy for the overall health of the discipline and also a marker for a deep knowledge of Asia.

Over the past 5 years, many university language programs have been threatened (La Trobe, Curtin, Western Sydney and the Australian National University) or closed (Indonesian at UNSW and all

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language programs at University of Canberra). The situation is equally bad in the school's pipeline where the most recent measure has only 6 per cent of Year 12 students currently studying an Asian language and spot surveys suggest that it is declining.

Even more troubling for me has been the defunding of the Asian Education Foundation

(AEF). Established in 1990 by the Commonwealth government and Myer foundation to promote Asian literacy in schools, it has succeeded impressively to become a tremendous resource in the school's sector.

In 2015, however, it lost its core \$1.5m annual funding and its transition funding just ran out. This will have a tremendous impact on the Asian Studies pipeline in universities. Similarly, the Asian Arts program of Asialink also lost its core funding from the Australia Council, meaning many of its programs will terminate. This will result in less exposure to Asia and Asian culture for the broader community.

One of the most visible challenges recently has been the stepping back from a leadership role in Asian Studies by the Australian National University (ANU) for financial reasons. Certain national institutions receive special funding to provide national leadership. ANU historically received special funding to fulfil a national leadership role including since its establishment in 1946 in Asian Studies. If the institution is to back away from that role for financial reasons, then such action undermines the rationale for that special allocation; in fact making the institution even more vulnerable to the loss of funding.

Thus, the question is to what extent do we accept ANU Asian Studies is special and therefore deserves extra funding. Or to what extent are you willing to forego funding at your institution to support a leadership role in the field by ANU? I'm willing

to argue from my perspective at a competitor university that I am willing to support ANU's leadership claim in Asian Studies (albeit I would seek to get a quid pro quo about UWA's leadership role in agriculture and I would note there are a number of successful 'hubs-and-spokes' models in other disciplines).

## The lost zeitgeist of an Asia narrative

These are ugly developments but I worry about them less than more fundamental developments which are harder to change.

Since the archiving of Asian Century White Paper in 2013, the bigger challenge is the loss of the popular narrative around the importance of Asia and Asian capabilities. This has been a subtle shift and it is worth putting it in a more modern historical context.

The modern priority position of Asian Studies in Australia gathered pace in the Keating years with his calls for Australia to join Asia. This roughly coincided with 1989 policy paper by Ross Garnaut and the 1990 establishment of the AEF. Following on from this was the National Asian Languages and Studies in Australian Schools (NALSAS) program that put

real resources into schools, developing our pipeline of capable and informed students.

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*Since the archiving of Asian Century White Paper in 2013, the bigger challenge is the loss of the popular narrative around the importance of Asia and Asian capabilities.*

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NALSAS ended in 2004 but by that stage the Howard government "got Asia" and after the 2020 Summit Kevin Rudd as Prime Minister revived the policy as the National Asian Languages and Studies in Schools Program. Subsequently, Prime

Minister Julia Gillard wanting to differentiate herself from Rudd commissioned the Asian Century White Paper which made one of the most comprehensive and lucid arguments for the importance of Asia and how to deliver real outcomes for the broader Australian public.

But more significant than the white paper's shelving has been the refocusing on the deficiencies in Australia's science, technology, engineering and maths (STEM) capability and the need for an innovation dynamic in the 21st century.

With the slowing economy in a rapidly digitalising world, Australia's disappointing performance in international comparisons of maths and science students and studies showing weak Australian industry engagement with the research sector,

the importance of STEM and innovation made for a powerful narrative. The cumulative effect has been to suck the public policy oxygen for Asian Studies from the room.

I strongly support the STEM agenda and would argue for a sweet spot around an innovative Asia engagement strategy. But we need to acknowledge that Asian Studies has had a blessed run over the past 25 years and has become much harder in a more crowded space.

### The way forward in a new Asian century

Despite these setbacks, there are new, more optimistic developments.

First, there is more deep and authentic engagement between Australia and Asia in the academic space than we've ever had at any stage before. We have more Asians studying and experiencing Australia than in the past, now over 300,000. And, our students are reciprocating by studying in Asia.

We can do better in this space, but presently 16 per cent of Australian students study abroad, the highest percentage of any country in the world, and a third of them go to Asia. The Coalition's New Colombo Plan (NCP) is having a popular impact, and Labour's nearly identical program of AsiaBound is wholly consistent with the push.

Perhaps more importantly, Asia is no longer out there and Australia here. We have record numbers of Australians travelling to Asia as a regular matter of course. Some of that might be to the beaches of

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*We can do better in this space, but presently 16 per cent of Australian students study abroad, the highest percentage of any country in the world, and a third of them go to Asia.*

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Bali and Phuket, but a lot of it also includes culturally rich and authentic experiences such as onsens in Japan, temples in Cambodia, and business lunches in Xi'an.

Matching that outbound travel, the number of inbound Asian visitors is increasing. Chinese tourists have replaced Japanese tourists of the 1980s, but the total numbers are

well-passed anything we could have ever hoped for then. Moreover, Australia migration is now coming largely from Asia, and that is especially the case in academic migration.

The combination of academic migration and student movement means we have also reached the highest level in the history of research co-publication

between Australian and Asian researchers. These people-to-people engagements are the most effective and transformative in convincing the general population of the importance of a deep knowledge of Asia.

I'm also an optimist because both major political parties agree on the importance of Asia and are willing to do something about it. The Coalition's flagship policy remains the NCP and its funding nearly doubles going forward. It is having serious impact in getting non-traditional students into Asia and providing them with authentic engagement. In the last election, Labor said it would keep the NCP albeit cutting funding in half to fund more teacher training in Asian languages.

Given these positive developments within a challenging context nevertheless, pose the question of how to realise the full potential for promotion of Asian Studies. We no longer have the luxury of passivity and our message will be more effective if we present a solution to other problems.

### Asian Studies 101: good teaching and leadership matters

Student revenue drives modern universities, so to assert that Asian Studies matters we must accept that if students like you, you will be relevant and matter. If they do not, you will be marginalised.

Subject matter is important, but good teaching matters more to the attraction and retention of students. We can all list dull topics with robust enrolments because of the success of a lecturer, and the counter-example.

This is not a solo endeavour. I think we as a community need to be committed to the best teaching practice and constantly holding ourselves and our colleagues to that standard.

It is not all about individual classrooms, however. The structure of the degree does matter. There is a natural tendency among academics to seek specialisation and narrow rigidity. To some extent, we must resist this and advocate for degree breadth and flexibility.

Languages provide a good lesson. In the 1960s 40 per cent of Year 12 students studied a language. By our most recent measure, it had dropped to 12 per cent and was falling. University enrolments largely matched this with decreasing numbers.

UWA and University of Melbourne have gone against this trend, however. The introduction of choice into the undergraduate degrees in 2012 has seen an explosion of UWA language enrolments. And, over

half of this growth has been students enrolled in science and engineering degrees – a STEM student rounded with Asian STEAM is not only relevant but persuasive.

Given the opportunity, students will choose languages and Asian languages. These students are a different kind of learner, what I call “tourists” or others call service teaching. Moreover, you must be persuasive in advocating with non-language and non-Asian Studies colleagues in your institution for the flexible changes to traditionally rigid curriculum, but by modifying university structures you can revive enrolments, which translates into institutional power.

Third, as already mentioned, study abroad is booming. Behind the NCP, study abroad is the new black. Australia now has the highest percentage of study abroad and a third of that is in Asia. The real growth is in the non-culture, society, and languages area, and for short-term programs in English. We as hardcore Asian Studies specialists can dismiss these experiences, but if we positively leverage them to work with our colleagues in other disciplines and

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*Study abroad is the new black. Australia now has the highest percentage of study abroad and fully a third of that is in Asia.*

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engage students, we will be the long-term beneficiaries with more students coming to do our courses seeking to feed their curiosity.

Finally, I believe Asian Studies and Asian languages are financially viable. Here are the basic numbers:

The Commonwealth gives

a university \$12,455 per full-time equivalent student studying language and the student contributes \$6256. This means your university receives \$18,711 per student or \$2339 per student in a classroom. Social science students generate \$2050 less and international students, which make up a quarter of students, generate roughly \$10,000 more. Assuming university overheads take half of this, it means roughly \$1250 goes to the local area for each student in a class. Assuming an average Asian Studies academic costs a total \$200,000 a year, this means a typical lecturer needs to teach four courses a year with roughly 40 students in each class. If you are teaching more than this, you are a net revenue generator. This rough back-of-the-envelope calculation does not take into account the other 40 per cent of university revenue including research funding and philanthropy support.

The calculations are complex but popular Asian Studies and Asian languages courses are or should be, money earners. We are not emasculated orphans begging for generosity but in fact a crucial

and empowered engine to the whole who can respectfully ensure that our institutions support Asian Studies appropriately. We have an influence on the most important financial variable – student numbers and satisfaction.

Lastly, leadership matters: leaders influence culture, set agendas, make critical decisions and often have veto rights. So we need more Asian Studies experts to put their hands up to be leaders for local internal areas. Heads of disciplines, associate deans, deans

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*The strong foundation from which we have been working over the past few decades is due to Asian experts' willingness to participate in the harsh cut-and-thrust of public debate.*

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are critical roles that make the operation run and have disciplinary leadership. We also need colleagues in roles not directly related to our disciplinary expertise, across the research agenda, the internationalisation strategy, the methodology of teaching and learning.

Beyond the internal, we also need more of us to put our hands up to lead across the institution. In these

roles, leaders have an impact across an institution and they are able to inject Asian content, insight and nuance into mainstream and unexpected places.

But leading internally and institutionally, however, is not enough. We need to stand in the public policy space to advocate for the importance of Asian Studies. The strong foundation from which we have been working over the past few decades is due to Asian experts' willingness to participate in the harsh cut-and-thrust of public debate.

They include people like China expert Ross Garnaut, Japan expert Peter Drysdale, Japan and international education expert Phil Honeywood, and China expert Kevin Rudd. We may not always agree with their general political positions, but our interests in Asian Studies are better served when we have one of our own doing the hard yards of pushing Australian public policy.

## **Asia (still) matters**

The case for the importance of Australia's engagement with Asia remains overwhelmingly convincing. By 2030, two-thirds of the world's population will be in Asia. By 2030, five of the top ten economies will be in Asia. And, even today, Asia remains the most vibrant and dynamic region in the world in the face of an ageing and stagnating Europe and North America.



In an environment where we have faced some setbacks, I remain positive that we can leverage the good to build a relevant and rich Asian Studies for tomorrow. This is vital for the vibrancy of Australia and it requires all of our commitment to good teaching, affirmative leadership, and constant commitment.

*Kent Anderson is Deputy Vice-Chancellor (Community & Engagement) at The University of Western Australia. This is an edited and revised version of Professor Anderson's comments at the July 2016 Asian Studies Association of Australia biennial conference in Canberra.*



# Embracing Asia starts at home



*Asia is not something that resides outside Australia – it is also something that exists within it.*

Most Australians understand that the fortunes of their society are tied to those of Asia. This is more than just about trade and economics. It is the reality of multicultural Australia that about 10 per cent of our society have Asian backgrounds; China and India now represent the two largest source countries for immigrants. In one sense, Asia is not something that resides outside Australia – it is also something that exists within it.

There have long been predictions about Australia's Asianisation – whether it has been the idea of a future Eurasian society, deep “enmeshment” in Asia or Australia prospering in an ‘Asian Century’. Yet there have always been clear limits to Australian society's imagination about Asia. Our cultural relationship with the region has never been assured, but always ambivalent. Our collective understanding of Asia can be superficial, something reflected by

how every Australian generation discovers the region as though it were being discovered for the first time.

We cannot take for granted that Australia's relationships with Asia will continue to deepen and prosper. Amid a resurgence of nationalism across the globe, Australian society faces serious tests on maintaining its multicultural character and its openness to the region. While the state of multiculturalism remains strong, there remains an important need for political leadership to withstand populist nationalism, and all that would imply.

## A multicultural Australia

How Australia relates to Asia will, to some degree, be shaped by how we deal with the cultural diversity within our borders. On this front, the fundamentals remain positive. The state of multicultural Australia continues to be strong.

The Scanlon Foundation's Mapping Social Cohesion survey of 2016, for example, found that an overwhelming majority of people (83 per cent) agree that multiculturalism is a good thing and has benefited Australia. A clear majority of people (59 per cent)

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believed that current levels of immigration were either "about right" or "too low".

Such results, consistent with the Scanlon Foundation's findings over the years, are the best indication we have of where Australian public opinion really lies. It confirms that Australia is a successful and harmonious nation of immigration.

Such success was not always assured. We have had prolonged debates about multiculturalism and national identity.

In the 1980s and 1990s, this was centred on public

anxiety about the "Asianisation" of Australia, and fears that Asian immigrants would fail to integrate into Australian society.

History has shown such anxiety and fears to have been misplaced. The facts speak for themselves. On any measure of integration, those Australians of Asian background have proved in every way capable of participating in the life of the nation. They have excelled when it comes to educational attainment or economic participation. Suburbs such as Cabramatta

in southwest Sydney or Springvale in eastern Melbourne – once regarded as ethnic ghettos – are now thriving communities.

To be sure, our success has a lot to do with the character of our immigration program. It has been to Australia's advantage that governments since the late 1970s have favoured selective migration intakes involving highly skilled immigrants.

But the composition of immigrants does not alone explain why multicultural Australia has worked. Multicultural policies – for the most part endorsed in a bipartisan fashion by our political leaders – have played an important role in equipping immigrants to participate in Australian society. As a result, Australian society has been able to deal with social change with much less friction than what may have otherwise been the case.

While Australia's multicultural fabric is strong, it is now being tested. The politics of race and immigration has convulsed Western liberal democracies across a number of continents.

In the United States, Donald Trump has been elected president, partly on an anti-immigrant platform and with the support of the far-right white nationalist movement. Since the shooting deaths of Trayvon Martin in Florida and Michael Brown in Ferguson, Missouri, a Black Lives Matter movement has emerged. Racial tensions have resurfaced in many American towns and cities.

Across the Atlantic, we have seen Brexit. The referendum on Britain exiting the European Union

had the feel of a plebiscite on immigration. Tellingly, the Brexit vote appeared to cause a steep rise in hate crimes tied to the Brexit vote. According to authorities, there were more than 3000 allegations of hate crimes made to UK police in the week before and after the 23 June vote (a 42 per cent spike compared to the previous year).

Meanwhile in France, polls indicate that Front National leader Marine Le Pen is highly likely to make it past the first round of 2017's

presidential election. Elsewhere in Europe, social anxiety and cultural fear can be clearly detected through the political success of far-right parties, from Austria to Germany to the Netherlands.

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Far-right political organisations have also emerged or re-emerged in Australia. During the past two years, protest movements targeting Islam have received significant media attention. The federal parliament contains a number of senators who support a ban on Muslim immigration, the establishment of a royal commission into Islam, and the abolition of the Racial Discrimination Act in its entirety.

## The rise of populist nationalism

For many observers, we are seeing in all this a pattern – a rise in right-wing populism. In addition to those Western democracies already mentioned, the numbers suggest that this is true across the developed world more broadly. Data shows a clear surge in the share of the vote for populist authoritarian parliamentary parties across 34 OECD countries.

There are clear signs that populist politics is here to stay. Yet what we mean by populism is not always clear.

Just about everyone agrees that the politics of populism invokes a divide between “the people” and the “elite”. Populists claim to speak on behalf of the people, who are citizens of virtue, against elites who are corrupted in some way. But beyond this, there can be disagreement about whether populism has some ideological character, or whether it describes something more aesthetic or rhetorical in politics.

In his recent and timely work, political scientist Ben Moffitt has helpfully described the global rise of populism as involving a political style. It features an appeal to “the people” versus “the elite”, but does so using “bad manners” rather than the conventional decorum of modern politics, and by the constant evocation of crisis, breakdown and threats.

As Moffitt highlights, populist politics has been favoured by the shift from old media to new media. In a world where reporters in tightly resourced newsrooms now have to file multiple stories a day and have less time to conduct research and interview sources, firing off a zinger on Twitter or posting a retaliatory video on Facebook can make for easy stories. The populist politician is well suited to contemporary media, where news outlets are hungry for continuous content within a so-called 24/7 news cycle.

Another source of disagreement about populism concerns its sources. For many, populism can be explained by economic insecurity. If populists succeed by instilling fear, it can only be because sections of society are losing out from globalisation or economic change. The conventional wisdom runs that populism taps into the anxieties of the old working class, rather than the bourgeois middle-class.

The evidence on this, though, does not appear entirely convincing. In the US, for example, the idea that Trump enjoyed success by appealing to economically vulnerable white people is complicated by the fact that his presidential candidacy coincided with an improving economy and dropping unemployment. The average Trump-supporting household draws a median income of \$72,000, which is \$16,000 greater than that of the average American household.

Here, in Australia, the re-emergence of Pauline Hanson’s One Nation has occurred in spite of the Australian economy not experiencing a downturn for more than 20 years. While some areas, such as those in regional Queensland, have stagnated since the end of the mining boom, the circumstances do not support a simple economic reading of events. There is a troubling question for anyone concerned with the rise of right-wing, populist nationalism: if this is what is happening in a relatively buoyant economic period, what will happen if there was a recession with widespread consequences?

If we are to explain the contemporary rise of populism, especially that of the right-wing variety, we are safest to say that the sources are multiple. Economic anxiety may be a factor, but there has also clearly been cultural fear at play.

Across the West, the new populism has been married to an aggressive nationalism. Supporters of populist right-wing parties are united by a fear that they will lose status, power and privilege. They are uniform in their hostility towards immigration and multiculturalism, which they blame for undermining unity or corrupting the national culture. They rile

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*There is a troubling question for anyone concerned with the rise of right-wing, populist nationalism: if this is what is happening in a relatively buoyant economic period, what will happen if there was a recession with widespread consequences?*

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against a supposed ‘political correctness’ that has suffocated public debate and has subverted freedom of speech. They agitate against a reverse racism that has seen majority ethnic or cultural groups become discriminated against in favour of minority migrant ones.

Within all this, we see those rhetorical elements synonymous with a populist political style: immigration and multiculturalism are things that are disliked

by the majority of ordinary people who love their country, the good manners sanctioned by so-called political correctness are rejected in favour of a

coarser but more authentic freedom of speech, and the allegedly unfair treatment of majority groups and the ascendancy of multicultural tolerance is threatening a moral and cultural crisis within society.

Offering an antidote to such populism represents a defining political challenge to liberal democracies. There is an important need for political leadership, namely, to ensure that populist appeals to xenophobia do not trump liberal democratic values. Mainstream political leaders must understand better what is driving populist nationalism.

However, understanding concerns need not mean endorsing them. Liberal democratic politics must avoid giving licence to any racial or religious intolerance. It remains vital that political leaders send an unambiguous message that racism or bigotry is unacceptable.

## Conclusion

Much has been said in recent years about the Asian Century and of Australia being poised to prosper from Asia. Our geography has divined our twenty-first century destiny. As economist Tim Harcourt has put it, the tyranny of distance has given way to the power of proximity.

It is easy to be overly optimistic, however, about the depth of Australia's engagement with Asia. Australia's Asia literacy remains alarmingly under-developed. Part of the reason for our lack of Asia literacy is that our framing of regional engagement is so nakedly mercantilist. Where once Australians may have spoken in hysterical terms about the teeming yellow hordes, we now endlessly marvel at the billions-strong middle class emerging in Asia. People talk about how we can maximise the "rent" from our relationships with the region, of how we can capitalise on Asian growth. We have adopted an instrumental mindset towards Asia. We should not be surprised if we have failed in the area of Asia literacy. Cultural engagement cannot be sustained by economic ambition alone.

If Australia is to embrace its Asianisation, it must be thoroughly cultural in nature. We must be willing not just to see Asian neighbours as economic partners, but also be open to learning from them. Is there not something that we can learn from young emerging democracies? From societies that have had to develop cities and infrastructure to sustain much larger populations? Is there something in Confucian practices from which we can borrow or learn in dealing with our ageing population?

Could there not be aspects of Asian practices of communal obligation or responsibility that may give us a new perspective on Australian values, such as mateship and egalitarianism?

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*Where once Australians may have spoken in hysterical terms about the teeming yellow hordes, we now endlessly marvel at the billions-strong middle class emerging in Asia.*

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Answering such questions presume one thing: that Australian society is sufficiently relaxed and comfortable about its own multiculturalism in the first place. The rise of populist nationalism indicates there must be no complacency. While the vast majority

of Australian society continues to accept our multicultural character, such consensus may be subject to a political contest. How we handle the task of multiculturalism within our borders, how we talk about race and national identity, will go a long way to determining our success in a century that will see Asia ascendant.

**Tim Soutphommasane** is *Race Discrimination Commissioner at the Australian Human Rights Commission.*



# Cultural diversity in politics and media will create national prosperity



*Just as the gender conversation has shifted the dial for representation of women in leadership and has helped shape policies that impact women's lives, so too can a conversation on culturally diverse leadership help innovate Australia's policies in areas such as multiculturalism and strategic priorities in the Asian Century.*

Australia's culturally diverse population is drawn from more than 300 ancestries and is visible in everyday life. This is why Australia is often lauded by its political leaders and commentators as one of the most successful and harmonious multicultural

nations in the world. While there is much truth to that statement considering all of Australia's successes made in the context of its diverse population, this confident, veneer also disguises an inconvenient truth.

As soon as one views the leadership circles of many major institutions in Australia, the rich tapestry of cultures and ethnicities of representation suddenly disappears. Instead, the leaders of Australia continue to be dominated by people, mostly men, of Anglo-Celtic background. The Australian Human Rights Commission identifies that no more than five per cent of leaders across Australian businesses, politics, government and civil society are people from non-Anglo-Celtic or European background.<sup>1</sup> This contradiction is notably acute in Australia's most public and visible institutions: politics and the media.

The deep-set circle of networks, entrenched views on leadership styles and structures of traditional Australian institutions have created many systemic barriers for diverse voices to be heard and included. This is a significant loss of opportunity because there is a wealth of culturally diverse talent that remains somewhat untapped. This talent could assist Australia in navigating and communicating the many challenges faced in an uncertain and rapidly changing world.

## Public perceptions of multicultural Australia

Cultural diversity is often publicly promoted as part of Australia's DNA. As Prime Minister Malcolm Turnbull puts it, Australia is the "most successful multicultural society in the world. There is no other country that has done so well at this as we have."<sup>2</sup>

But is it fair for Australia to showcase itself to the world as the most successful multicultural nation, if diversity is not visible in our public discourse? For instance, Screen Australia found that within Australian television dramas broadcasted between 2011 to 2015, only 18 per cent of main characters were of non-Anglo Celtic background.<sup>3</sup>

More glaring within senior positions of decision-making in Australia's major institutions is the invisibility of people of colour. For example, if one were to review the current composition of the Australian Parliament to which the Prime Minister belongs to, an overwhelming 79 per cent of the total 226 elected politicians are people of Anglo-Celtic background. Politicians of Asian heritage make up less than four per cent.

<sup>1</sup> *Leading for Change: A blueprint for cultural diversity and inclusive leadership*, Australian Human Rights Commission, Sydney, 2016

<sup>2</sup> The Hon Malcolm Turnbull MP (2016), *Remarks at Harmony Day Morning Tea*, transcript, 16 March 2016, viewed 4 December 2016, <https://www.pm.gov.au/media/2016-03-16/remarks-harmony-day-morning-tea>

<sup>3</sup> Screen Australia, *Seeing Ourselves: Reflections on diversity in Australian TV drama*, Screen Australia, viewed 4 December 2016, <https://www.screenaustralia.gov.au/getmedia/157b05b4-255a-47b4-bd8b-9f715555fb44/TV-Drama-Diversity.pdf>

The Australian Human Rights Commission investigated this systemic issue in their report *Leading for Change: A blueprint for cultural diversity*

*and inclusive leadership*,<sup>4</sup>

and identified significant under-representation of people of cultural diverse backgrounds in Australia's top 200 publicly listed companies, government departments and ministries, and universities.

This serious omission downplays the importance of immigration to Australia's history and future. Australia

has been a nation that has welcomed migrants and refugees from around the world since the Second World War.

## Prosperity in diversity

The key role that Australia's immigrants played in this economic achievement cannot be taken away. What is also remarkable is the level of social harmony maintained in Australia. In the 2016 Scanlon Foundation report, *Mapping the Social Cohesion Survey*, 83 per cent of people surveyed believed that "multiculturalism is good for the country", and 59 per cent of people believed that the current levels of immigration are either "about right" or "too low".<sup>5</sup>

Despite this, the exclusive nature of Australia's leadership, particularly in politics and the media, is contributing to fragmenting social harmony by highlighting differences rather than promoting inclusivity. One example is the fierce public debate regarding the inability of certain groups in society to embrace the "Australian way of life", which is being spurred by the global policy debate on migration.<sup>6</sup> This has heightened internal tensions in Australia on how change brought by immigration and globalisation will impact the economy and society.

To strengthen social harmony and redress these debates that fuel negativity and exclusion requires conviction from Australia's political and media leadership. It requires empathy and the embrace of other cultures, which is gradually occurring although slow in progress.

<sup>4</sup> *Leading for Change: A blueprint for cultural diversity and inclusive leadership*, Australian Human Rights Commission, Sydney, 2016

<sup>5</sup> Dr Andrew Markus, *Mapping Social Cohesion, The Scanlon Foundation Surveys*, Monash University.

<sup>6</sup> McKinsey Global Institute (2016), *People on the move: Global migration's impact and opportunity*, McKinsey

Michelle Guthrie, the recently appointed Australian Broadcasting Corporation managing director who is half-Chinese with experience of living in Asia, recently commented on this subject. She argued that to remain relevant the national broadcaster must look “to embrace diversity amongst our staff, on our screens and behind our cameras and microphones”.<sup>7</sup>

“If the ABC is to remain relevant to audiences as we move towards 2020 and beyond, then the ABC must reflect the geographic, demographic and socio-economic differences. And, of course, ensuring the

widest possible breadth of viewpoints in our programs and on-air personalities,” said Guthrie.

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*To strengthen social harmony and redress the debates of immigration and globalisation that fuel negativity and exclusion requires conviction from Australia’s political and media leadership. It requires empathy and the embrace of other cultures, which is gradually occurring although slow in progress.*

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It was refreshing for many to hear a senior leader of a major media institution calling out for diversity and inclusion. The ABC has now introduced a series of targets by 2018 including 15 per cent of senior executives and up to 12 per cent of content makers coming from non-English speaking backgrounds.

Why are culturally diverse perspectives, stories, voices and faces on our screen important? It is important

because we need to recognise and reflect the modern Australian audience.<sup>8</sup> As Guthrie pointed out: “We are living at a time of significant population inflows – not only through settlement programs but through our workforce and education systems.”

This century is witnessing great changes in the world, including Asia becoming the largest group of consumers worldwide. The global middle-class population is expected to increase from 1.8 billion in 2009 to 3.2 billion by 2020, with the bulk of the growth predicted to come from Asia.<sup>9</sup>

As a result, Australia’s political leaders are already beginning to refocus foreign, security and economic priorities towards this part of the world. Some progress was made back in 2012

in the *Australia in the Asian Century White Paper*<sup>10</sup>, launched by former Prime Minister Julia Gillard. It identified 25 national objectives for the Australian government to achieve by 2025 to take advantage of the Asian Century and lift Australia’s productivity into the world’s top 10 GDP per capita. Notably, the White Paper’s objective number 14 focused on developing “Asia-capable leaders, workplaces and institutions” who would have deeper knowledge and expertise of countries in the region with the greater capacity to integrate domestic and international issues.

The reordering of power relationships and the development of the Asian Century White Paper presented a compelling case for Australia’s political and media leaders to be more inclusive of its Asian Australian communities, many members who inherently have the cultural experiences, skills and knowledge to drive the strategy to develop Asia-capabilities.

Unfortunately after Gillard lost the prime ministership the White Paper was de-prioritised. And with this de-prioritisation Australia has lost another opportunity to capitalise on the existing talent within the country and to utilize our culturally diverse population – to help seize the economic and social opportunities from a rising Asia.

Although the White Paper to a large extent has been politically shelved, its strategic objectives continue to be recognised in Australia’s corporate sector. Over the past years or so, the result has led to initiatives to proactively promote people of culturally diverse backgrounds into senior management roles who can bring relevant cultural and market experience to help their businesses innovate and succeed.<sup>11</sup>

## Shifting the dial on public discourse

Networks comprising of culturally diverse people are also collaborating to sustain the momentum of the White Paper. The aim is to encourage civic engagement by promoting diverse voices and role models to share their views on shaping the future of Australia.

DAWN<sup>12</sup> is one such organisation that is working to shift the dial on public discourse. It was established to represent Asian Australians and people interested in fostering more diversity and inclusion within mainstream institutions. It aims to raise awareness of the importance of diversity in leadership and to

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<sup>7</sup> A diverse ABC is a strong ABC, Michelle Guthrie, addressed at the National Ethnic and Multicultural Broadcasters Council annual conference in Sydney, November 2016. (<http://about.abc.net.au/speeches/a-diverse-abc-is-a-strong-abc/>)

<sup>8</sup> Ibid.

<sup>9</sup> [http://oecdobserver.org/news/fullstory.php/aid/3681/An\\_emerging\\_middle\\_class.html](http://oecdobserver.org/news/fullstory.php/aid/3681/An_emerging_middle_class.html)

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<sup>10</sup> *Australia in the Asian Century: White Paper*, Department of Prime Minister and Cabinet, Canberra, 2012.

<sup>11</sup> Fast Forward: Leading in a brave new world of diversity, Future Inc., Chartered Accountant & Deloitte, May 2015.

<sup>12</sup> See [www.dawn.org.au](http://www.dawn.org.au)



encourage and inspire “Australasians” to take up leadership roles.

It remains a great challenge for Asian Australians as well as many people of colour to engage in traditional political and media circles. For example, different cultural and social norms may lead to misguided perceptions of leadership capability. In some cases the Asian Australian’s networks may be limited and there may be communication difficulties that impact on confidence and willingness to participate.

In light of these issues, DAWN established the Asian Australian Leadership Conversations, a series of public forums showcasing people of culturally diverse backgrounds discussing a range of public topics. The format leverages social media and traditional mainstream institutions such as the Asia Society, St James Ethics Centre and Westpac to get culturally diverse people to break through the “bamboo ceiling”<sup>13</sup> and have a public platform to voice their views. At the Q&A style panels which

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*It remains a great challenge for Asian Australians as well as many people of colour to engage in traditional political and media circles.*

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are broadcast via YouTube, the audience members are also encouraged to share ideas on the relevant topic at hand.

In August 2016, DAWN and the Asia Society hosted a conversation on the topic of diversity in politics with speakers including the recently appointed NSW

Premier Gladys Berejiklian, NSW shadow education minister Jihad Dib, ABC journalist Kumi Taguchi and the Australian of the Year David Morrison. Taguchi joked that this was the first panel she experienced where she was not the only one with the “funny name”. Dib said that Australia had not fully harnessed the human asset that our culturally diverse community has to offer.

“To navigate through this uncertain time – economy, strategy, and foreign policy, we have to sharpen our tools and look inside our capabilities – inside our community. Political leadership in a democracy like Australia is an important first step,” said Dib.

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<sup>13</sup> A derivative of the phrase ‘glass ceiling’ to describe the career progression barriers for people of Asian descent who are working and living in Western countries. See J Hyun (2005), *Breaking the Bamboo Ceiling: Career strategies for Asians*, HarperCollins Publishers, New York.

The conversations are one of many initial steps to engage diverse audiences in public discourse, not as passive participants but as proactive commentators to demonstrate that there are new people who are willing to participate in politics and media in an inclusive environment. The result has been that some panellists of the conversations are now gained public exposure and have been interviewed by traditional media channels.

For the vital debate to mature and be inclusive, our political and mainstream institutions must reflect the population that we have. Just as the gender conversation has shifted the dial for representation of women in leadership and has helped shape policies that impact women’s lives, so too can a conversation on culturally diverse leadership help innovate Australia’s policies in areas such as multiculturalism and strategic priorities in the Asian Century.

*Dai Le is the founder and Katie Calvey is a director of DAWN.*



# Read this: Chinese language media is part of the story



*The more migrant community members are regarded as equal partners in the political and social processes of the nation, the more likely they are to fulfil their own duties and responsibilities as Australian citizens, and identify with and embrace the democratic values of their adopted country. The Chinese community is no exception to this.*

Among the various Asian diasporic communities in Australia, Chinese-speaking migrant communities present a distinct set of challenges and opportunities to Australia's political, economic, social, and foreign relations agenda. For many years, Australia's Chinese communities have been the most diverse and complex in terms of dialect, linguistic competence,

place of origin, history of migration, political allegiance, and socioeconomic status. Now the growing scale and influence of the local Chinese language media is posing challenges to how the Australian government (and the mainstream media) respond to the country's Chinese diaspora.

As a result of the arrival in Australia of new Chinese migrants from the People's Republic of China (PRC) over the past three decades or so, the diversity in demographic composition of the ethnic Chinese population has intensified. To date, the PRC is the largest overseas birthplace for Australians after the United Kingdom and New Zealand. According to the 2011 census, there were about 866,200 Australian residents claiming Chinese origin, and as many as 74 per cent of them were the first generation of their family to move to Australia. The soon-to-be-released data from 2016 will no doubt confirm this upward trend in both diversity and sheer numbers. Added to this, China has now surpassed Japan as Australia's biggest trading partner, in terms of both imports and exports. This means that China is one of only two countries, along with the United Kingdom, that not only have seen large numbers of migrants settling in Australia but also have proven to be crucial to Australia's economic survival.

However, unlike the UK, which was for a long time considered to be the "mother country" by many Anglo-Celtic Australians, China is not a liberal democracy. Unlike India, another supplier of skilled migrants to Australia and a member of the British Commonwealth, the Chinese generally do not share with Anglo-Australians a passion for cricket, and most Chinese migrants did not have English as a lingua franca prior to their migration. Thus, in comparison with their Indian migrant community counterparts, Chinese-speaking migrants generally experience a greater linguistic, cultural, and political distance from Australia's Anglo-Celtic mainstream.

It is this paradoxical situation – Australia's economic dependence on China, hand-in-hand with its perception that China's political, ideological, and cultural values are incompatible with Australia's – that explains the prevailing feelings of fear and anxiety that many Australians have about China.

### Chinese-language media in Australia

These feelings are no doubt exacerbated by the global discourse on the "rise of China," and mounting evidence of the Chinese government's efforts to shape international public opinion through the media. Like Narendra Modi's government, which actively pursues its diasporic communities – "non-resident Indians" – to contribute to India's national economy, the Chinese government also considers diasporic Chinese communities as public diplomacy resources and assets. Moreover, much more than the Indian government, the Chinese administration strategically engages with diasporic Chinese media who are now widely described in policy circles in China as the

"vessels" that can propel China's public diplomacy agenda out into the world. Indeed, such efforts have begun to bear tangible outcomes in Chinese-language migrant media in various countries outside China.

In Australia, as elsewhere, China's state media have made significant inroads into the space of Chinese-language media over the past few years. We have seen cases of struggling Chinese-language media

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enterprises being bailed out as a result of the largesse of the Chinese state media, as well as examples of lucrative deals, partnerships, and content-sharing arrangements between China's state media organisations and cash-strapped Chinese migrant media entities.

Very commonly misunderstood is the moral motivation behind China's attempts at global media expansion. One phrase that appears in China's policy discussions so often that

it has taken on the appearance of a self-evident truth is the saying that 'the West is strong and we are weak'. This expression captures China's perception of the current dynamics of the global media and communication sector and its own place within it. Another frequently-used phrase states that China is 'in a passive position and often gets beaten up'. In other words, what often dominates policy discussions is a deep-seated sense of injustice and grievance, imbued with the feeling of being "hard done by" in relation to the West – Australia included.

China's soft power initiative, of which expansion into Australia's media landscape is a part, aims to increase China's media presence globally, with the main purpose being to reduce or even eradicate the "bias" and "prejudices" against China that are seen as pervasive in Western media. The overriding conviction that fuels this drive is that China has been robbed of its rightful voice in a world dominated by the imperialistic media power of the West.

Ironically, but perhaps not surprisingly, China's actions aimed at seeking redress for these perceived moral and discursive injustices have become new sources of anxiety for the West, reinforcing the West's fear of a "China threat." In the mainstream Australian media, China's efforts to globalise its own media have been read as a covert attempt to move propaganda offshore, to export communism, and to take over the

symbolic space of the free world. China's expansionist impulses are seen as imperialistic in design and intent, with the ultimate goal being to achieve global dominance and "rule the world."

## Australian mainstream media response

What role do the Chinese-language media in Australian play? What is the current lay of the land with this sector, and what challenges and opportunities have the developments in this sector thrown up for Australia in political, economic, social, and cultural terms? It is not until recent months that serious public discussions surrounding these questions have started to emerge.

For many years, mainstream English-language media and diasporic Chinese-language media have existed in parallel universes. While it is apparent that there exists a multicultural ethnic media sector "out there," with the exception of SBS's multicultural language programs, this sector remains "ethnic." The implication of labelling and treating non-English-language migrant media as "ethnic" is that, except on controversial matters, its content usually does not register in the consciousness of the English-speaking mainstream, and it is widely assumed there is little need for two-way cross-fertilisation of content. Thus, the onus has always been on the ethnic side to translate the content of mainstream media into the ethnic language in question, but seldom the other way round.

Due to the language barriers that are reinforced by this attitude, non-Chinese audiences have typically considered Chinese-language media in

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Australia to be some kind of "black box," and for this reason, these media sources have existed mostly outside the purview of Australian media regulators, the business sector, Government bodies, and mainstream media establishments.

Over the last couple of years, and, in particular, during the past year, the mainstream English-language media's position vis-à-vis the Chinese media in Australia has swung from apathy and indifference to

mild obsession. But the frameworks within which these discussions have taken place are mostly narrowly-focused at best, and sensationalist and

alarmist at worst. In most cases, media reports have been more or less accurate about the extent and scale of the penetration of local Chinese-language media by Chinese state media. However, what they have left out of the discussion is whether the increased presence of China's propaganda equates to or translates into a direct impact on Chinese-speaking migrant audiences. Nor has there been a concerted attempt to explain the political and moral motivations behind China's efforts. Due to these blind spots, the mainstream English-language media's coverage has to some extent contributed to fear and anxiety about the implications of China's rise, rather than seeking to understand and address these sentiments.

Of particular interest to mainstream English reporters are the speeches and actions of Chinese individuals who display pro-China nationalism – as in the case of a Chinese student rally in Melbourne against the Hague's decision – and Australia's position – on China's sovereignty claims in the South China Sea. Yet few of these journalists reflect on the possibility that such pro-Chinese nationalism is as much a response to their own narrowly-focused and one-dimensional reporting on China as it is the result of Chinese government's patriotic propaganda.

## Risk of alienating the Chinese community

Equally problematically, the mainstream English-language media have more or less related to Australia's Chinese-language media as the nation's Other. There is usually little interest in seeking perspectives and information from these media, except to look for evidence of differences from or even hostility towards Australian views, or to try and unearth pro-China – and sometimes actual Chinese government – perspectives.

Most worrying of all is the tendency, evidenced in some recent media reports, to accuse Chinese migrants of being agents of influence on behalf of the Chinese government, thereby conflating the Chinese government with the Chinese people, and Chinese citizens with diasporic Chinese communities.

The implications of an ever-expanding Chinese media sector, including digital and social media, in Australia are many and complex. To look on the "bright side," it seems that the Chinese migrant community in Australia are "spoiled for choice," since they have, within their reach, state Chinese media, Chinese migrant media, transnational Chinese media from other Chinese migration destinations, the Chinese-language media provided as part of Australia's multicultural media (SBS radio,

television, and Internet outlets), and the mainstream English-language Australian media. At the same time, individuals in this community are sometimes –

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*Few of the journalists reflect on the possibility that such pro-Chinese nationalism is as much a response to their own narrowly-focused and one-dimensional reporting on China as it is the result of Chinese government's patriotic propaganda.*

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perhaps often – confronted with conflicting and competing perspectives on Australia and China, or in relation to other relevant global affairs.

For instance, China's state media criticise the United States and Australia for meddling in the South China Sea dispute, whereas the mainstream Australian media criticise China for its aggressive behaviour in asserting sovereignty rights in the region. The tensions and

dilemmas facing individuals from the Chinese migrant community become at best a source of cultural anxiety and frustration, at worst a trigger for social disharmony. Situations such as these can encourage the formation of a vicious circle of racism whereby the Australian mainstream commercial/tabloid media's coverage of China-related issues may generate negative and often visceral sentiments towards Australia among Chinese migrants, whose consequent sense of grievance – sometimes expressed in emotionally charged terms – may incur further mainstream prejudice against them.

## **Chinese as key players in Australian public life**

To dispel the spectre of such a vicious circle is crucial to Australia's national agenda of strengthening democracy, ensuring economic prosperity, promoting social cohesion, and practising effective engagement with China. Chinese migrants in Australia are voters capable of shaping outcomes in electoral politics. This is evidenced in the recent Federal election, where pro-Coalition Chinese voters effectively used WeChat – currently the most widely used Chinese social media platform – to campaign against the Labour Party. Chinese Australians – whether they realise it or not – have also been active agents on behalf of economic growth. This is not only because, as individuals, they are enthusiastic consumers with high consumption power in the Australian economy, but also, and equally notably, because the Chinese business community in Australia is a key intermediary in business and trade relations between the two countries.

Furthermore, Australia's Chinese communities have been key stakeholders in the long history of racial politics in the nation. They have been both victims of, and advocates against, racism. At the same time, like every other community, they are also equally capable of entertaining cultural stereotypes and racial biases against others. Successful engagement with the Chinese community is thus a litmus test for the effectiveness of multiculturalism as a national policy. As a result, it has become a matter of pressing concern to turn the current tension between the Chinese community and the mainstream into an opportunity for building a more inclusive multicultural program which, as Andrew Jakubowicz, noted scholar of multiculturalism, argues, “validates difference while stressing common values associated with universal human rights,” and

which encourages rigorous, rational and respectful dialogue and debate.

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*The tensions and dilemmas facing individuals from the Chinese migrant community become at best a source of cultural anxiety and frustration, at worst a trigger for social disharmony.*

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Finally, political, social, and cultural actors aside, Chinese migrants can be enthusiastic promoters of goodwill on behalf of Australia in the cultivation of mutually beneficial Australia–China relations. To be sure, the Australian government has also noted the importance

of diaphora diplomacy, particularly the need to draw on the linguistic skills, social networks, and cultural community connections of diasporic communities. But to prosecute this policy effectively has never been as important as it is now, given that China has been increasingly pro-active in its efforts to engage Chinese migrant communities as key assets of its own public diplomacy agenda.

## **Recommendations to the Australian government**

The importance of cultivating a deeper level of engagement in Australian public life within the Chinese (and broader Asian) diaspora cannot be overstated. And it behoves the Australian Government to develop an acute understanding of both the challenges and opportunities that lie ahead in this sphere.

To prosecute diaphora diplomacy effectively has never been as important, given that China has been increasingly pro-active in its efforts to engage Chinese migrant communities as key assets of its own public diplomacy agenda.

As a start, the Australian Government may want to consider the need to redefine and reposition diasporic media in Australia so that they are no longer labelled “ethnic media” and instead become an authentic, integral part of a genuinely multicultural, multilingual mainstream media landscape.

The Government may also want to put in place some practical measures and incentivizing schemes and recruitment policies aimed at increasing diversity within the English-language media organizations, encouraging bilingual content production, facilitating cross-cultural training and exchange between English-language media and diasporic media, and generating dialogue and debate.

The rationale for these recommendations is simple and clear. The more migrant community members feel that they are being treated with respect and are regarded as equal partners in the political and social processes of the nation, the more likely they are to reciprocate this respect and egalitarian treatment and fulfil their own duties and responsibilities as Australian citizens, and identify with and embrace the democratic values of their adopted country. The Chinese community is no exception to this.

**Wanning Sun** is Professor of Media and Communication at the University of Technology Sydney.



# Fast train coming: what we can learn from Asia



*In this fast-moving globalised world, governments and countries that are agile and respond quickly to change will win, and at the cost of others. This is what Australia can learn from Asia – to be more agile, entrepreneurial and direct in its intent to be a globally significant diverse economy.*

When I was 15, I was fortunate to ride a push bike and train through many areas of China in 1986. Studying geography at school, I felt grateful for the opportunity to experience a country that was still very much led by a central government steadfastly committed to the values and direction set by Chairman Mao.

During that time, we witnessed a newly industrialising country opening up to the global economy, yet at the same time, still not visibly displaying any signs of a burgeoning middle class. Our hotel stays were modest, there was a noticeable lack of global brands, and it was largely a cash economy with a special tourist currency.

I still remember clearly the plain wax paper that was loosely wrapped around a gift of seamstress scissors I had bought my mother, they were dripping with oil to stop them rusting. Since that visit back in 1986, I have been to China countless times. That first impression has always been a baseline for me as I witnessed one of the most remarkable urban transformations in history.

Being the most populous country in Asia, China has seen the biggest transformation and has openly embraced globalisation and urbanisation. It was driven largely by consistent government direction and hyper-technological advancement in almost every aspect of life. We know the side effects all too well – moving goods around more efficiently, assembling them with fewer resources, communicating instantly and of course having access to better health services, which help us live longer.

With this change in Asia, two things have occurred, people are moving from rural villages to cities in their millions and they are embracing the enhanced earning potential offered in these centres of trade and commerce. As a result of this internal migration people are getting wealthier. Over the last decade, China alone saw a 29 per cent reduction in people classified as “poor”, with an almost equal corresponding increase in low, middle and upper income citizens. It is well known that with this new-found wealth comes increased demand

for consumer goods and services and a changing diet rich in premium proteins typically sourced from outside of Asia.

In comparison to this transformation, Australia and New Zealand have solidified themselves as “healthy, wealthy and wise”. Australia has 51 per cent of the country classified

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*McKinsey projected at an eastward rate of 142 kilometres per year, we will see 70 per cent of the world's middle class living in Asia by the year 2050.*

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as having an upper middle income, the highest proportion of any country on this planet.

What can we learn from looking north towards our Asian neighbours, how can we be best prepared for this rising middle-class, and how can we take advantage of the trade, travel and cultural opportunities before us? On the other hand what lessons can we share with Asia from our experience as an upper middle-class society?

This was briefly explored by the Gillard government when it published the *Asian Century White Paper*. However, this call to arms appears to have dropped off the agenda of the current Australian

Government. With this in mind, I will share some observations and thoughts on how Australia can make the most of the financial centre of the world moving towards Asia. McKinsey projected at an eastward rate of 142 kilometres per year, we will see 70 per cent of the world's middle class living in Asia by the year 2050. I might even be so bold to explain some ways in which Asia can learn from Australia.

## Feed me

Can Australia really become the food-bowl of Asia? Do we have the capacity to supply protein-rich food to over one billion people off the natural resources found within Australia? Australia's Chief Scientist Professor Ian Chubb said in a speech in 2013 that Australia produced enough food to “directly contribute to the sustenance of 60 million people – that is 1 per cent of the world population and 2 per cent of the population of Asia”. This is also reflected in guidance from Senator Barnaby Joyce, who has firmly stated the opportunity for Australia is to provide premium produce to the Asia Pacific region. With this in mind, Australia should focus on reversing the declining number of qualified young farmers and at the same time provide incentives to innovate and increase capacity and quality of primary produce while protecting our natural assets.

## Build me

Since 2007, China has constructed the largest network of high speed rail (HSR) in the world, with over 1 billion passengers a year patronage. Granted that the network was in planning for several years, this accomplishment is still astonishing, particularly when you understand that they initially borrowed the technology from suppliers in Europe and Japan, and then adapted it to create their own network which they now sell around the world. I often cite this example when I reflect on how Australia is planning our two nation building infrastructure networks: the National Broadband Network (NBN) and an east coast high speed rail. Are we being visionary enough in delivering an NBN network that will serve as well as our historic copper network, and should we be bolder in our plans for the east-coast HSR? The Organisation for Economic Cooperation and Development recently gave a scorecard on Australia's current fiscal management which found our conservative approach to borrowing for infrastructure and skills development could see Australia fall behind.

“There is room for spending increases, notably an acceleration in the public investment programs under way in telecommunications, roads and public transport systems,” the OECD says of Australia.



Naturally we can't deliver the world's largest HSR network in 10 years with our population of 23 million; however I think we can learn from the unflinching commitment China has to risk taking and building world class cities and infrastructure.

## Teach me

Education in 2015 generated \$19 billion in exports for Australia. This has increased with a lower Australian dollar and increasing demand from Asia. Obviously Australian educational institutions are reaping the rewards of this market, and to expand the benefit to Australia's long term diverse economy, we should look at programmes to retain the best talent in our country. Equally, the brands of Australian universities rank well globally, so

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*Are we culturally aware and does our education system prepare our next generation for greater interaction with Asia in the future?*

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opportunity exists for the establishment of virtual and physical campuses within Asia.

Australians also need to consider how they can be better prepared for increasing Asian migration in our country. Are we culturally aware and does our education system prepare our next

generation for greater interaction with Asia in the future? I know my 9 year old son is not given the opportunity to learn Mandarin as part of the current curriculum at state schools, and would suggest that this is a good place to start.

## Relax me

According to Tourism Australia in 2015, China was Australia's second largest inbound market for visitor arrivals and the largest market for total expenditure and visitor nights. There should be no surprises here, and equally on the flipside of this, China is seeing Australia as the fastest growing Western nation in terms of visitor numbers per year. With this in mind, it would seem Australians and Chinese already have well established love affairs with each other's countries, so what more can we be doing? Let's look to the trends identified here – wealthier, healthier and better educated citizens of the Asia Pacific. Our regions can invest in health and experience-based tourism for grey travellers and be ready for social and mobile technology changes in the tourism market that are being driven by younger generations.

## Don't over feed me

I was horrified to learn that Australia is the third most obese country in the world, just behind the United States and the United Kingdom. Beyond the individual health risks and quality of life associated with obesity, there is a huge societal and economic burden through the direct and indirect costs it generates. There are ranging estimates of this annual cost on Australia, some as high as \$53 billion when we account for loss of productivity. Obesity rates in Asia are beginning to creep up, with Malaysia and Singapore ranking the highest and India and Vietnam the lowest according to 2008 data from the World Health Organisation.

However, with 25 per cent of Australians being classified as obese, China is still a long way off this number at only 5 per cent. There is still time to avert the significant cost on a nation that this non-communicable disease causes. A priority should be education, a fast food tax and the promotion of both walkability and place in the design of new urban areas.

## Care for me

As I interact and build relationships with people in Asia, I admire the cultural expectation of caring for parents "in-home", as opposed to the Australian trend towards the elderly fending for themselves and relying on external care. It is interesting to note that the Asia Pacific region has one of the largest aging populations across the globe with predictions by the World Economic Forum that by 2050, two thirds of the world's older people will be living in the region.

This places a huge challenge on future workforce participation rates, as well as potential cost to government to provide health care for this population. As more and more people are migrating from Asia to Australia, we should focus on retention (and expansion) of the caring for family "in-home" cultural trait as more people become exposed and influenced by our mature globalised society.

## Building a two-way street

I took the time to speak with some of our developer clients from China with operations in Australia. I asked them to reflect on what Australia can learn from Asia; and the resounding reply was "things take too long in Australia". In this fast-moving globalised world, governments and countries that are agile and respond quickly to change will win, and at the cost of others. This is what Australia can learn from Asia; to become more agile, entrepreneurial and direct in its intent to be a globally significant diverse economy.

Further, there are huge opportunities to be had for Australia from the rising Asian middle-class. We need to be set to take advantage of these opportunities,

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*In this fast-moving globalised world, governments and countries that are agile and respond quickly to change will win, and at the cost of others.*

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and in some instances this may require us to invest in the short-term, particularly in relation to HSR, to ensure we are well set for the future.

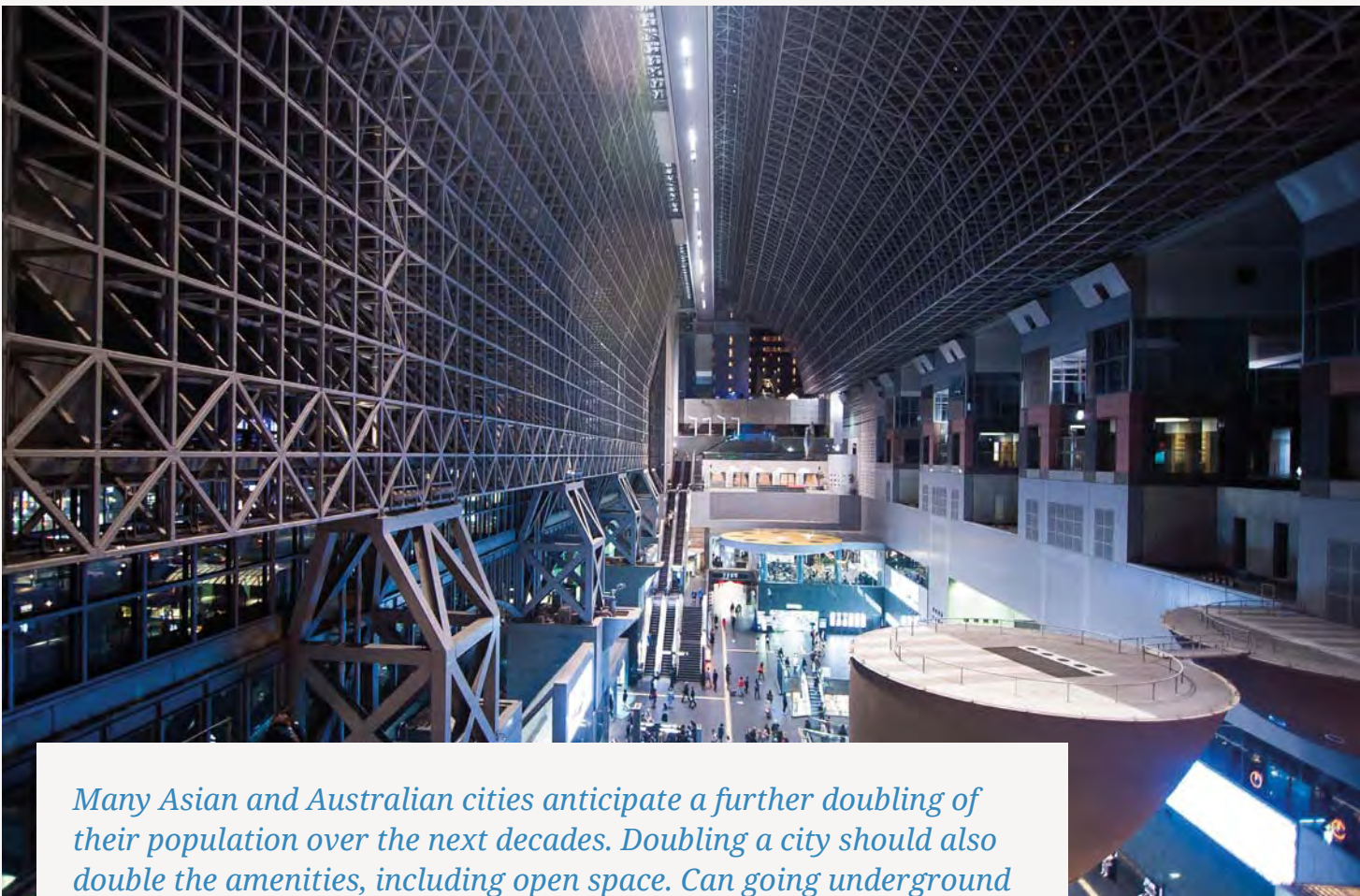
This is a two-way street. As a city planner, I believe that Asia can look to Australia to see how we are now planning authentic dense neighbourhoods,

which have “place” and “sustainability” at their very heart. Equally, to challenge the hyper consumerism so prevalent now in Asian cities, I can see a place for the new age movement that now pervades our Australian cities and challenges global brands, promotes local art, culture and sustainable living.

**James Rosenwax** is Market Sector Director for Cities at AECOM.



# Digging deep into Asia for new ways to design cities



*Many Asian and Australian cities anticipate a further doubling of their population over the next decades. Doubling a city should also double the amenities, including open space. Can going underground be a solution?*

Over the last decade, Australian and Asian cities have experienced migration of an unprecedented scale. Many cities anticipate a further doubling of their population – it is only a question of time before this happens.

There is a common set of constraints inhibiting further expansion:

- City centres feature tall buildings on narrow streets that struggle to deal with current traffic levels.
- Utilities and infrastructure are constantly being upgraded to serve the expanding population.
- High property prices reflect massive and growing speculative investment, with demand far outstripping supply.

There is a disconnect between our desire for aspirational urban lifestyles and the realities of cost, distance, congestion and waste in our daily access to workplaces, leisure and educational facilities.

### Better cities: higher or deeper?

With this dichotomy at play, how can any city double its population while improving lifestyles? Temporary solutions like adding height to buildings and enhancing transit options cause enormous cost and disruption. They rare a piecemeal approach to

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*There is a disconnect between our desire for aspirational urban lifestyles and the realities of cost, distance, congestion and waste in our daily access to workplaces, leisure and educational facilities.*

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increase the fabric of the city while creating a strain on facilities, overloading highways, and losing access to the open sky.

Cities are to be enjoyed. Surely doubling a city should also double the amenities, including open space? City planners in Asia have already realised that there are myriad fantastic opportunities underground. Many facilities can be put below ground, freeing

above ground space for activities that really need the sky above them. Singapore, Hong Kong and Tokyo have extensive occupied underground space. People use the space to commute, to work, to eat, to go shopping, to be entertained, to enjoy life – without giving a thought as to whether they are below or above ground.

**Hong Kong:** In the 1980s, Hong Kong ground floor rental was at a premium. The Hong Kong Land Company realised that pedestrian access to luxury shops commanded high rentals, so they started connecting buildings at the first floor level with pedestrian bridges, achieving high rental at ground and first floor levels. Soon, the connection of basements to underground railway stations generated another network, meaning premium shopping at high rentals could be located on the first or second basement level. Networks are now in place in Central, Causeway Bay and Tsim Sha Tsui.

**Singapore:** While a few cities have connecting footbridges above the ground, connections below ground to railways are increasingly popular, with growing property values in underground stations. In Singapore there are interconnections at Orchard Road, Bugis and Marina – Singaporeans now enjoy socialising in interconnected venues, which have the benefits of climate control and protection from the elements. Multi-function centres include car

parking, supermarkets and many floors of retail and entertainment, such as ice rinks and cinemas. Only the signs on the walls identify the location as either above or below ground. In Singapore, the Marina South reclamation area includes provision for inter-connections between new and future buildings, for underground railway stations at basement level and for underground passages.

**Tokyo:** Similar area redevelopments include Tokyo Station City which is a fully integrated railway and commercial complex. Tokyo also has an extensive underground storm water relief system that has even become a tourist attraction due to its cathedral-like chambers.

It is possible in Hong Kong and Singapore to commute, work, shop, eat out and visit entertainment facilities entirely indoors and mostly underground. Climate change and growing extremes in weather mean that temperature-controlled environments will become increasingly attractive.

### The future starts now: the case for long-term planning

Strategic planning needs to look beyond immediate issues to identify and establish long-term and enduring solutions to our most important problems.

**Starting from scratch:** Planning and building a new city in a new location is one solution to congestion and population growth. The site for Canberra, the capital city of Australia, was decided in 1908. Following a protracted gestation period, government offices started moving there in the late 1920s through to the 1970s with a steady growth in population to about 350,000. A comparison can be made with the planning of the seven Hong Kong New Towns in the early 1970s. Sha Tin, the largest, was developed over the last 20 years to reach a population of about 700,000.

**Long term planning:** The Urban Redevelopment Authority of Singapore is engaged in active strategic planning featuring territory-wide, long term objectives spanning over a nominal period of 40 to 50 years. In 2015, Singapore celebrated 50 years of independence focusing on its provision of affordable housing. This housing policy has been so successful that over 80 per cent of Singapore's residents live in high rise public housing. By adopting these buildings of up to 50 storeys, they have maintained open space at ground level, with 42 per cent of the island covered with greenery and 9 per cent set aside for parks and nature reserves. Current strategic planning has options to cater for future generations while aiming to preserve open space for recreational

use and to provide buffers for future growth needs. There will be heavy reliance on the development of underground space.

One approach is to retrofit housing estates, which typically house 250,000 to 300,000 inhabitants and to aim for self-sufficiency. The estates will feature town centres and transportation nodes in a model

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*Current strategic planning has options to cater for future generations while aiming to preserve open space for recreational use and to provide buffers for future growth needs. There will be heavy reliance on the development of underground space.*

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of polycentric development. This is similar to Hong Kong's New Towns, creating a balance of residential, work, educational, healthcare and leisure facilities. In Singapore, polycentricity aims to reduce commuting and improve local facilities.

The second approach is to put suitable uses underground to optimise land use and improve the quality of the living environment. In general this means putting

infrastructure, utilities, and more passive storage or warehousing uses underground, so freeing up land for people-related activities such as housing and outdoor recreation above ground. Every new major transport or utility infrastructure project should be reviewed to assess the potential for underground development and, if appropriate, co-development. Major land uses should also explore intensifying upwards and going underground to optimise the use of land. In Singapore, underground space is seen as a national asset.

## Barriers to underground development

**A question of ownership:** Any development below ground is contingent on ownership or rights to the development of the space. In most places, title to land is based on plan area. Definitions of titled space above ground are generally controlled by planning regulations such as height limitation. Definitions of titled space below ground vary enormously – different countries have different practices which generally depend on the type of land title involved. This ranges from ownership to the centre of the earth or is limited to what is required for free enjoyment of the property. Title may be limited to basements or foundations or could include specific mineral rights. Comprehensive planning of underground space affects both state owned and privately owned space and needs to provide for ownership of different levels, in the same way as strata titles above ground.

**Ground conditions:** Open underground space requires lateral and vertical support which is primarily achieved by the rock itself. In the same way that buildings rely on the ground beneath them for support, so a space below ground relies on the rock around it to be stable. Around the world, large caverns have been constructed for many uses including military purposes, hydropower stations and for bulk oil storage.

- Scandinavia has an imaginative approach in response to its challenging climate, with underground swimming pools, games halls and the vast multi-purpose Gjøvik Olympic Cavern in Norway.
- In Asia, there are a number of facilities housed in man-made caverns. Singapore stores munitions and oil in underground caverns. Preliminary designs have been created for a series of underground warehouses to be connected by dedicated goods transportation tunnels to Singapore's Container Terminal. The government strategy is to develop an underground masterplan to ensure that underground and above ground spaces are synergised and optimised.
- In Hong Kong, Tai Koo and Sai Wan Ho underground railway stations were built in caverns in 1985. An underground sewage treatment works has been operating in caverns at Stanley since 1995, serving a population of 35,000. Other caverns provide housing for a refuse transfer station, an explosives depot and a salt water storage reservoir.

The local strong igneous rock in Hong Kong provides excellent support for constructing caverns, with studies underway for a variety of uses, including detailed design for replacement sewage treatment works at Sha Tin, serving a population of 1 million.

The parameters for excavating caverns relate to the stability of the roof and the side walls. The best natural materials are strong rocks which have suffered little alteration.

In Hong Kong, the preferred rocks are Cretaceous granitic rocks, capable of supporting roof spans of 25m at Tai Koo railway station and potentially wider. With the addition of applied rock mechanics, spans of up to 61 metres as in the Gjøvik Hall should be feasible. Other igneous rocks, such as the older Jurassic tuffs, have been mined with spans of up to 27 metres at the Island West Transfer Station. Government studies show 64 per cent of the Hong Kong territory has high to medium suitability for cavern development, with only 6 per cent considered unsuitable.

Singapore has different geology. In the middle of the island, Bukit Timah granite is good quality and has been used for mining ammunition storage caverns. The western side of the island is generally occupied by the Jurong Formation which comprises weakly metamorphosed sedimentary rocks that have been folded and faulted. Although these conditions are not as good as the granite, caverns have been constructed and put into operation with careful site selection and construction. The caverns are generally quite deep so the majority of underground developments currently are non-cavern developments. In both Hong Kong and Singapore, caverns have made use of arched roofs carved out from the rock with steel reinforcement where necessary to maintain the structural integrity. Much of Sydney is founded on Hawkesbury Sandstone that is moderately strong and is nearly horizontally bedded. Flat rock roofs have been adopted for tunnels, such as the three-lane Eastern Distributor. In the Sydney Opera House car park, a span of up to 19m was achieved by using rock bolts to tie together the horizontal beds of sandstone.

The geology of Melbourne is not so favourable due to the presence of weaker rocks for which less wide roof spans would be more suitable. Shafts do not

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*Doubling the size and capacity of any city takes time but then so does the increase in population. Cities must be ready.*

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have the same reliance on the strength of the rock as they are, in effect, caverns without rock roofs.

**Other factors:**

Planning considerations include ownership and geology. Other physical considerations include

vehicular and pedestrian access, the supply of light and air (taken for granted above ground), and gas, water, electricity, drainage and sewerage required for any development. Constructing two-way vehicular access and egress together with an alternative means of escape is expensive for a single development such as a warehouse or a data centre. However, their capacity would well exceed demand and could serve more developments, at the same level in the surrounding area. The Singaporean government requires a thorough review of all co-development opportunities both above and below ground for any new developments. This promotes the sharing of access and facilities together with reduced costs. Integrated planning of above and underground, supporting facilities for underground development, such as access and ventilation, means better integration into the urban landscape.

## Rome was not built in a day

Doubling the size and capacity of any city takes time but then so does the increase in population. Cities must be ready. It will be expensive, requiring public and private investment, with a clear demonstration of the likely returns.

- The first step is to recognise that underground space is needed and must be planned, investing in developing the same level of vision and plans for underground networks as for surface based development patterns to serve our new and growing city centres.
- Legislative and administrative support is required to define property ownership and to enable effective government planning.
- The cost of below ground construction must be assessed by comparison with the cost of demolishing high-rise buildings, replacing them with higher buildings, and the other impacts on urban infrastructure and quality of life.

The lead time for any large development can be decades. Planning must be in place now for what will be needed later. Above all, cities should prioritise below ground development wherever feasible in order to preserve ground level space for other uses.

John Endicott is an AECOM Fellow.



# Making Asia fit for new growth



*The story of the remainder of the 21st century will be significantly determined by how we manage and harness continued economic growth to improve the health, environmental and social well-being of our region.*

Wang Wei, a middle-aged man returning for the first time after 20 years to his family home in rural mainland China would be unprepared for the dramatic and disruptive change that has swept the country. Skyscrapers tower overhead. A web of new infrastructure cuts travel times in half, enabling rural residents to make the daily trip into town. In the city, restaurants and foreign brands abound on every street. A new hospital has gone up.

A hundred million family homes have changed in China and throughout Asia. Modern Asia and particularly China has disrupted poverty. This economic growth has opened new opportunities for work, living, housing and education. Yet flourishing economies can be a double-edged sword. Investing in public health has reduced maternal mortality, infant mortality rates and hunger-related deaths in low and middle-income countries (LMICs). But economic growth and improved living standards can also introduce new health challenges to overcome.

Traditionally, the health crises of developing countries have been driven by maternal and child mortality, as well as communicable diseases. Malaria, tuberculosis, and those caused by unclean water, such as cholera and typhoid, are enormous challenges. And new infectious disease threats like Zika and bird flu add additional strain.

## New health challenges are emerging in Asia

The world's attention has rightly been focused on fighting communicable diseases. But demographic, environmental and socioeconomic changes throughout Asia, due to rapid economic growth, are driving a new normal of non-communicable diseases (NCDs): especially heart disease and stroke, chronic lung diseases, diabetes, and mental illness, requiring immediate attention.

According to the World Health Organization, eight in 10 NCD deaths now occur in LMICs. For as much as NCDs get mislabeled as "diseases of affluence," they are severely affecting the people of the developing world, in rural and urban communities. In both cases, the rapidly growing burden of treating and responding to NCDs is putting increasing pressure on already stretched resources and ailing health infrastructure. It is as big a change as those skyscrapers in Wang Fei's hometown.

Beyond NCDs, preventable injuries account for one in 10 deaths globally, and incredibly, 40 per cent of deaths in adolescents and young people. As the world develops, workplace injuries and traffic

accidents increase. More people have employment and mobility – but that comes with an increase in preventable injuries.

The new killers of NCDs and preventable injuries are redefining and disrupting "global health".

We are at an inflexion point

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*The new killers of NCDs and preventable injuries are redefining and disrupting "global health".*

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in history. In 2011, the United Nations declared that NCDs pose a global threat, identifying them as one of the major challenges facing social and economic development globally, and as an important contributor to rising inequality.

Transitioning from a focus largely on communicable diseases to one that also includes NCDs and injury, conditions which drive the most causes of early death and chronic disability, is vital.

This has especially important ramifications for Australia, which plays a leadership role in regional

and global settings. For years Australia's health aid programs have focused primarily on the traditional aid concerns of poverty, hunger, communicable diseases, and maternal and child health, with additional investment in clean water and sanitation.

Proven, cost-effective interventions are available for these new pandemics, and Australia has considerable expertise to offer in tackling them. As this issue careens toward crisis status, pursuing effective and sustainable solutions is an urgent matter. It's certainly a global health matter, but it is also an economic one. Consequently, Australia's Department of Foreign Affairs and Trade (DFAT) views global development funding not only as a philanthropic exercise in global equity but also as a key arm of foreign policy.

Health aid is effective, delivering proven measurable returns on investment while lending itself well

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*Health aid is effective, delivering proven measurable returns on investment while lending itself well to public and private partnerships.*

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to public and private partnerships. It also has serious potential to prolong lives and promote regional stability. In an era of tight resources, health aid is an essential component of any development aid initiative.

The macroeconomic consequences of not acting are clear. The recent World

Economic Forum paper on the economics of NCDs in Indonesia<sup>1</sup> calculates that \$US4.47 trillion in productivity will be lost due to NCDs (\$US17,863 per capita) from 2012 through 2030.

Left unchecked, the NCD epidemic threatens to consume considerable health resources in those countries that can least afford it and are currently not well equipped to deal with it. The cost of not doing something will, in the end, be more costly than taking action now.

## Health aid can deliver measurable economic returns

As the global health community confronts NCDs and preventable injuries, there's an opportunity for two-way benefit between high- and low-income countries and in particular for Australian and Asian policymakers to share responsibility for advancing health initiatives focused on prevention and treatment of NCDs and injuries.

<sup>1</sup> [http://www3.weforum.org/docs/WEF\\_The\\_Economics\\_of\\_non\\_Disease\\_Indonesia\\_2015.pdf](http://www3.weforum.org/docs/WEF_The_Economics_of_non_Disease_Indonesia_2015.pdf)



Australia has developed effective policies and high-quality research that are predominantly focused on conditions, like NCDs and injuries, which are very relevant in high-income countries (HIC). And so, there exists an opportunity to assist Asia in further developing research capacity to address these issues.

To highlight one example, Australia has a presence in the Global Alliance for Chronic Diseases, which develops and facilitates innovative research collaborations between LMICs and HICs in the fight against NCDs. Another example is the DFAT's contribution to the Global Innovation Fund, which invests in social innovations in all sectors (including health) being pioneered by social enterprises, for-profit firms, non-profit organisations, researchers and government agencies.

Both of these are examples of solutions-focused innovation. But more can be done.

Australia has led the world in public health policy for tobacco and is following up with action on food. Poor diet now kills more people than anything else in the world. Most of those deaths used to be caused by starvation but the great majority are now the consequence of over-eating. And more occur in Asia than in any other region. Excess consumption of sugars, salt, harmful fats and calories underpins the NCD epidemic and kills millions every year. Australia has implemented a world-leading 'Health Star Rating' food labelling strategy and is now embarking on a far-reaching Healthy Food Partnership, which provides a mechanism for collaboration between the government, public health sector and food industry to work together to address obesity. While the Partnership has much to offer the Australian public, the real opportunity lies in scaling the effective components beyond Australian borders.

## Health solutions for the 21st Century

Australia can also share learnings around effective public education campaigns and legislative changes to promote health and public safety. Campaigns that capture public attention around wearing seatbelts, and not drinking and driving could have a powerful effect in countries where, although millions of new motorists are now on the road, safety norms are not yet widespread. According to the World Health Organization<sup>2</sup>, low- and middle-income countries account for 90 per cent of the world's traffic fatalities, while only accounting for half of the world's vehicles. Indeed, affluence and progress bring a host of new challenges.

Australia's challenges and experience in remote healthcare throughout its vast rural interior may be highly relevant to a country like China, where a city-dwelling son or daughter often has to look after elderly parents living in rural areas.

Confronting the challenge of prevention and control of NCDs really requires a robust primary care system, which is lacking in many Asian countries (China being one of the best exemplars). While Australian primary care is facing a number of challenges much of the decline in NCD mortality over recent decades can be attributed to a strong primary care system.

However, while Australia and other Western countries have much to offer in terms of expertise, resources and technologies, policymakers must step back and avoid making assumptions around what is the "right" way. Australia's health institutions and systems face many challenges around equity, access and affordability. And health solutions have to be designed for – not in spite of – economic, geographic and cultural contexts. LMICs, with the support of HICs, must lead the way in forging their own solutions to meet the needs of their people. The benefits can

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be mutual. By working with LMICs and thinking outside the box, we just might discover opportunities for "reverse" innovation, in which solutions developed for LMICs could improve healthcare in countries like Australia as well.

In designing and implementing new health solutions, one of the most obvious things that needs to be considered is scalability and the blending of high tech/

low tech innovation. Take diabetes and a recent effort to develop an affordable dialysis machine that illustrates how simple, affordable technologies are able to make a significant difference in the lives of those who need kidney dialysis but cannot access it.

Millions of people globally – most of them in China, India, Indonesia, Pakistan and Nigeria – die unnecessarily every year because they cannot access treatment for kidney failure. Approximately 2.6 million people around the world are on chronic dialysis for terminal kidney failure, but as many as seven million people more could be missing out on life-saving treatment.

<sup>2</sup> <http://www.who.int/mediacentre/factsheets/fs358/en/>

Geography is a barrier: large, sophisticated medical equipment can't be transported cost-effectively to remote rural areas, nor properly maintained or operated outside of hospitals. In India, for example, 70 per cent of people with chronic kidney disease live in rural areas, with limited access to treatment.

However, lifesaving health solutions don't necessarily have to be expensive or highly sophisticated. That's why the George Institute, the International Society of Nephrology, and the Asian Pacific Society of Nephrology jointly launched the Affordable Dialysis Prize. This contest encouraged inventors around the world to develop an innovative dialysis system to treat chronic kidney failure that works just as well as a conventional approach, but (a) runs off solar power, (b) can purify water from any source, (c) has low running costs, and (d) can be sold for less than \$US1,000.

The winning design is so compact that it can fit into a small suitcase, uses a standard solar panel to power a highly efficient, miniature distiller capable of producing pure water from any source. The design is rooted in the situational context of the people who will use it. And therefore, it can save the lives of millions of people every year who would otherwise die. It is truly revolutionary, and it serves as an excellent example – and sets a high standard of usability – for future health innovators to follow.

Innovation is likely to be key for LMIC populations to take charge of their own destinies. It also creates opportunities for developed economies to learn something new that might benefit existing healthcare systems.

In India, cardiovascular disease is the leading cause of premature death and disability. A lack of affordable, accessible health care exacerbates the problem. Enter the "ASHA," an Accredited Social

sugar measurement and use a mobile application to monitor these cardiovascular risks, make predictions of a patient's risk of disease and appropriately refer those who need the care of a doctor.

These community health workers are a decidedly "low-tech" solution that leverages basic technology, and a pool of people who have some training and are willing to use their experience to better the health of their overall community.

The story of the remainder of the 21st century will be significantly determined by how we manage and harness continued economic growth to improvements across a range of environmental, social and health issues. Although NCDs and injuries aren't always headline-grabbing, they will be a drag on economic prosperity and contribute to the cycle of poverty by robbing communities of citizens in their most productive years.

So can the disruption in Asia itself be disrupted? Will Wang Fei's hometown be healthy in addition to being more modern? We're at an inflexion point. One of

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the key themes will be the emergence of two-way relationships between low- and high-income countries in which resources, ideas and transformative solutions flow both ways, and propel us toward a sustainable, healthier future.

In the meantime, aid programs and an aggressive focus on creative, unconventional solutions are a great start, and it requires fostering

an ecosystem of collaboration between innovators, researchers, business leaders and government leaders working in concert with the healthcare delivery community to elevate each part of the system toward a greater whole. Ultimately, the active pursuit of the health and wellbeing of all members of the Asia-Pacific region will create a more prosperous future for all of us.

*Anushka Patel is chief scientist at the George Institute for Global Health.*

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*Innovation is likely to be key for LMIC populations to take charge of their own destinies. It also creates opportunities for developed economies to learn something new that might benefit existing healthcare systems.*

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Health Activist who serves as a community health worker in areas where doctors are scarce and medical care is inaccessible.

More than 30 million Indians suffer a heart attack each year. ASHAs, often experienced in maternal and child health, are now using their experience to conduct household heart health checks. They carry out basic procedures like blood pressure and blood

DERMOT O'GORMAN

# From food bowl to health food store



*The ability to deliver sustainable development is the opportunity our generation must embrace and our best opportunity to do that will be the global economic powerhouse for the coming decades – Asia.*

Nothing connects us like food. Sharing a meal is a universal symbol of togetherness and, for many of us, our first introduction to different cultures is in a bowl or on a plate. Food also plays an important role in our sense of who we are and where we come from and, while we may rightly bemoan a feeling of

disconnection from our food supply, the provenance of our food is becoming increasingly important to many of us, culturally, practically and politically. In our hyper-connected world, new technologies also make it easier than ever for us to discover, verify and share where our food comes from and how it is produced.

On a much more prosaic level, whether we realise it or not, the food we eat is probably our most direct connection to our natural world and our food choices have a much greater impact on the environment than most people realise.

Food production currently uses 40 per cent of global land area, 70 per cent of the world's fresh water, generates 20 per cent of greenhouse gasses and uses 30 per cent of global energy<sup>1</sup>. This is even more alarming when we consider that, with a projected population of more than 9 billion by 2050, the world will need to produce 70 per cent more food than we do today<sup>2</sup>.

Further, the rapid emergence of middle-classes, especially across Asia, is accompanied by an increasing demand for resource-intensive animal protein. Across Asia, annual growth in the consumption of eggs, meat and milk is projected at 9, 8 and 11.85% respectively, significantly higher than the average projected global growth rates<sup>3</sup>.

Based on our current food production system, this growing demand can only result in further destruction of our natural land and marine environments and the continuing catastrophic loss of biodiversity. With our remaining natural forest land cleared for agriculture and more excessive use of pesticides, herbicides and fertiliser and unsustainable fishing practices causing

irreparable harm to marine ecosystems, we may be able to produce enough food in the short term, but not for long. In short, we must transition to sustainable food production and consumption – and within the next decade!

This is a pretty bleak image, but what if it were an enormous opportunity?

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*Could the demands of Asia's growing middle class actually drive a positive shift in the way we produce food, both here and in our region?*

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Could the demands of Asia's growing middle class actually drive a positive shift in the way we produce food, both here and in our region?

For a brief period, some Australian political and business leaders looked at Asia's economic growth as an opportunity for Australia to become the "food bowl" of Asia. This idea promised new economic opportunity,

<sup>1</sup> *Living Planet Report 2014*. WWF in collaboration with Global Footprint Network, Water Footprint Network and ZSL Living Conservation

<sup>2</sup> FAO. *How to Feed the World in 2050*. Food and Agriculture Organization, Rome, 2009.

<sup>3</sup> CAO, Y. & LI, D. Impact of increased demand for animal protein products in Asian countries: Implications on global food security. *Animal Frontiers*, 3, 48-55. 2013.

particularly for Australia's north. However, it was dismissed by all but its most fierce advocates when it was rightly pointed out that even if we doubled our food production, we still wouldn't be able to feed half of Indonesia's current population<sup>4</sup>.

Increasingly, Australian politicians, businesses and farmers are starting to position Australia instead as Asia's delicatessen, recognising the opportunity for innovative producers to provide high quality, value-added, specialty food to Asia's discerning middle classes. When we look at what motivates a growing number of Asian consumers, however, perhaps it is more apt to see this as an opportunity to position Australia as the region's healthy food store.

## Asian consumers are turning to healthy products

China's middle class, which is expected to account for more than 51% of the country's population by 2020<sup>5</sup>, have become the most health conscious shoppers in the world, with 73 per cent% of consumers surveyed by Boston Consulting willing to pay more for premium, healthy products (that is 12 points higher than the global average)<sup>6</sup>. This growing concern with personal health and wellbeing appears to be spreading across the region, as demonstrated by Asia's \$53 billion market for vitamins and dietary supplements, representing 20, 15, and 11 per cent market growth in Vietnam, Indonesia and Thailand respectively<sup>7</sup>.

Some Australian companies, like Blackmores, have embraced this opportunity, becoming the leading health brand in Thailand and China now accounting for a third of their market<sup>8</sup>. It is notable that Blackmores is also ensuring that its products support a healthy environment, partnering with WWF to safeguard the sustainability of its seafood supplies and supporting marine conservation projects throughout the region.

Of course, healthy food stores sell more than vitamins and supplements, and Austrade regularly reports on the high demand for Australian products and produce across Asia, including specialty cheese products and wine, but also meat, seafood, fruit, leafy salad

<sup>4</sup> Sen the Hon Barnaby Joyce MP quoted in Sampson, A (2016) 'Talk of Australia becoming Asia's food bowl is now almost taboo' *The Weekly Times* May 30

<sup>5</sup> PWC Research (2012) *Chinese Consumers*

<sup>6</sup> 'Capturing a Share of China's Consumer Health Market' BCG Perspectives [https://www.bcgperspectives.com/content/articles/center\\_consumer\\_customer\\_insight\\_globalization\\_insight\\_action\\_capturing\\_share\\_chinas\\_consumer\\_health\\_market/](https://www.bcgperspectives.com/content/articles/center_consumer_customer_insight_globalization_insight_action_capturing_share_chinas_consumer_health_market/) (Accessed 10 September 2016)

<sup>7</sup> Euromonitor International Country Reports 2015

<sup>8</sup> Gottlieb, R. 'Blackmores thriving on values, respect and growth in Asia' *The Australian* 10 February, 2016

vegetables, kale, broccoli, carrots and onions<sup>9</sup>. All of these can be produced locally, but as a 2015 study published in the *Journal of Economic and Social Policy* demonstrates, many middle class consumers in China, for example, are willing to pay more for food products bearing the “Green Food” label, which refers

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to “food that is grown in a safe and ecologically sound manner”<sup>10</sup>. While the study found that the perceived healthiness of “Green Food” was the primary factor influencing consumer choice, pesticide use and the environmental impacts of food production and packaging were also significant motivators, and Chinese consumers are more likely to trust the clean and green claims of international products.

This is obviously a great trade opportunity, but how big? There are already innovative producers that are investing in adding value to their products, but the untapped potential is in the many Australian farmers

already farming in safe and ecologically sound ways, but not getting the full economic benefits. It is also a great opportunity for the environment, as the ease with which modern technologies enable consumers to trace the provenance of their food and assess the veracity of “clean and green” claims mean that Australia and Australian producers have a vested interest in protecting the “green food” reputation of its exports. It also creates a financial incentive for farmers and agribusiness to re-examine the cost-benefit calculations of excessive pesticide use, the promotion of chemical fertilisers and other environmentally harmful agricultural practices that would lock them out of these lucrative, emerging markets.

The good news is that we know that such incentives work. For many years WWF has been working with some of the world’s biggest companies to respond to Australia’s growing consumer demand for more sustainable, ecologically sound food choices. For

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<sup>9</sup> See, for example, Australian Trade and Investment Commission (2016) *Australian products in demand at Food and Hotel Asia 2016*, 4 May

<sup>10</sup> McCarthy et al, *Trends in Organic and Green Food Consumption in China: Opportunities and Challenges for regional Australian exporters* *Journal of Economic and Social Policy* 17:1, p.1, 2015

example, over the last decade seafood consumption has steadily increased in Australia, with the average Australian eating 15 kilograms of seafood in 2012-13 up from 13 kilograms in 2000-01. Australian fisheries are not able to sustainably meet this demand, and it is estimated that 70 per cent of seafood that Australians eat is imported, largely from the Asia-Pacific region.<sup>11</sup>

Unsustainable fishing practices have significant and far-reaching environmental, social and economic affects, and awareness of the issues of inequity, human rights and environmental destruction, has been growing rapidly in recent years. WWF works closely with Australian companies like John West Australia, Coles and Tassal and certification bodies like the Marine Stewardship Council (MSC) and Aquaculture Stewardship Council (ASC) to help seafood companies and retailers transition to stocking only ecologically sustainable seafood products, wherever they come from. Earlier this year, John West Australia announced that 100 per cent of its canned tuna (that’s a 100 million cans each year, or 43 per cent of the branded canned tuna market in Australia!) is now certified by the MSC, and Coles has become the country’s first national supermarket to offer MSC and ASC certified products in its delis. The growing market for sustainable seafood, and the leadership being shown by these Australian

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*Just as Australian consumer choices are driving more sustainable food production practices in Asia and the Pacific, so too can Asia’s demand for cleaner, greener options encourage more Australian producers to reconsider their own relationships with the natural environment.*

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companies that facilitate these markets, create a powerful incentive to encourage and support fisheries and fishing communities all over the Asia-Pacific region to adopt more sustainable practices.

Just as Australian consumer choices are driving more sustainable food production practices in Asia and the Pacific, so too can Asia’s demand for cleaner, greener options encourage more Australian producers to reconsider their own relationships with the natural environment. Is this

going to solve the problem of producing enough food for the 9 billion people of the future? No, because in reality, not many people can afford to buy all their food from a healthy food store. Meeting the food needs of our growing population will require a smart mix of solutions, including innovative approaches

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<sup>11</sup> Australian Government Department of Agriculture (2015) *Australia’s Seafood Trade*

to producing more food with fewer resources, finding more sustainable and equitable modes of distribution and, crucially, addressing the fact that more than a quarter to a third of all food intended for human consumption is wasted. However, fostering and taking advantage of the growing demand for clean, green and healthier food will be an important part of the solution.

### **Brand Australia must embrace sustainable agriculture**

This is not an opportunity that we, as a country, can simply take for granted. While it has a strong global reputation for our products, Australia is not the only country offering clean, green and healthy food to Asia's discerning and health-conscious markets and reputations can be easily lost. If Australia is to reap the economic and environmental benefits of these emerging consumer demands, we need the policies and programs in place to support, protect and promote Australia's role as a global leader in the production of safe and ecologically sustainable food.

A genuine commitment to "clean, green and healthy" should be at the centre of any Brand

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*A genuine commitment to "clean, green and healthy" should be at the centre of any Brand Australia approach and that commitment needs to be backed up by forward-thinking domestic agricultural policies.*

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Australia approach and that commitment needs to be backed up by forward-thinking domestic agricultural policies, including support for robust and reputable sustainability certification mechanisms, plus research and agricultural extension that emphasises improving the environmental sustainability of Australian agriculture.

Equally, our international development and trade policies and investments

can help provide our region with Australian expertise and know-how – especially from business – that will benefit producers and consumers.

Not only would this deepen and broaden our cooperation with our Asian neighbours and trading partners, it would strengthen both our ability to manage the multiple disruptions to our economy and society in Australia. The ability to deliver sustainable development is the opportunity our generation must

embrace and our best opportunity to do that will be the global economic powerhouse for the coming decades – Asia.

*Dermot O’Gorman is WWF-Australia chief executive officer.*



# A new 'normal' for Australia and Indonesia on climate change



*Collaborating with Indonesia on climate change creates another pillar and new opportunities for Australia's engagement with our rapidly growing neighbour.*

The last five years have seen much dysfunction in the Australia-Indonesia relationship: from the outrage caused by the Australian decision to ban live cattle exports in 2011 to Australian indignation at the execution of Andrew Chan and Myuran Sukumaran in 2015. On both sides of the Arafura

Sea, misunderstandings and overreactions by governments have contributed to diplomatic crises. But behind these events has also been a rapidly changing bilateral dynamic, driven largely by changes in Indonesia's economic and perceived political power relative to Australia.

Indonesia recovered rapidly from the 1990s Asian Financial Crisis and returned to a period of sustained economic growth. Over the last 15 years, Indonesia's GDP growth rate has been consistently higher than Australia's, hovering between 4 and 6 per cent, compared with 2 to 4 per cent. This growth has brought millions out of poverty. During the same time, Indonesia has been going through a political transition, creating the third-largest democracy in the world.

With these changes, and buoyed by the election of a popular "new developmentalist" President Joko Widodo in 2014,<sup>1</sup> Indonesia no longer appears to be satisfied with the donor-aid dynamic that had dominated the relationship in years past. It is increasingly asserting itself as an equal to Australia, a "normal country" to be reckoned with like other middle-income countries with whom Australia engages.<sup>2</sup>

Recognising these shifts, the Australian government has sought to reframe its relations with Indonesia on issues of greater mutual benefit, particularly economic relations. However, more could be done to make sure Australia has a diversified and balanced relationship and climate change is a policy which Australia should bring into the centre of relations. Aside from being an important issue in its own right, climate change complements existing Australian foreign policy priorities, and it is an area where shared interests create the conditions for a more "normal" relationship.

## Australian economic diplomacy with Indonesia

To understand the ways in which climate change is a useful issue for the relationship, it is important to understand Australia's current policy towards Indonesia.

Responding to Indonesia's changing place in the world, the current Coalition government has shifted away from the previous focus on aid and development, towards a new narrative of "economic diplomacy". Discussing Australia's new approach in March 2016, Prime Minister Turnbull said: "Indonesia is on track to become the world's fifth largest economy around 2030 ... we are doing everything we can to ensure our exporters are as well positioned to meet Indonesia's vast market opportunities."<sup>3</sup>

<sup>1</sup> See Eve Warburton's Indonesia Update 2016 paper on Joko Widodo's New Developmentalism: <https://www.youtube.com/watch?v=b7xNBF-mhH8>

<sup>2</sup> See Andrew MacIntyre and Douglas Ramage on a normal country at: [https://www.aspi.org.au/publications/seeing-indonesia-as-a-normal-country-implications-for-australia/Seeing\\_Indonesia.pdf](https://www.aspi.org.au/publications/seeing-indonesia-as-a-normal-country-implications-for-australia/Seeing_Indonesia.pdf)

<sup>3</sup> The speech is available at: <http://www.lowyinstitute.org/publications/2016-lowy-lecture-prime-minister-australia-malcolm-turnbull>

This emphasis on economic relations is reflected across the government's approach to Indonesia. For instance, the government has sought to fast-track stalled negotiations of the Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA).

On security issues too, the relationship is now framed in terms of economic potential. The 2016 Australian Defence White Paper says that "[Indonesia's]... economic development [and] ... growth presents opportunities to build prosperity for both Australia and Indonesia."<sup>4</sup> This emphasis on Indonesia's economic importance represents a shift away from previous white papers which framed Indonesia's importance in terms of its strategic advantage to Australia, a "buffer" from possible invading forces in Northeast Asia.

The Coalition government has also dramatically downsized its aid to Indonesia with Australian aid to its former single largest recipient reduced by

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40 per cent in 2015. The aid funding that remains has, in part, focused on efforts to build Indonesia's institutions and institutional capacity to allow markets, investment and trade to drive economic growth.

In the context of an increasingly confident Indonesia, this focus on economic relations could be an important pillar for a more "normal"

relationship. There are many countries in Asia with which Australia has had long periods of relatively stable relations, such as Japan and China, which are characterised by strong economic relationships. However, underpinning the faith in the economic diplomacy model for Indonesia relations is an assumption that Indonesian growth will continue. There are many possible inhibitors to growth, but one which has received relatively little attention in Australian foreign policy is climate change.

<sup>4</sup> Paragraph 2.81 of the Australian Defence White Paper 2016, available at: [www.defence.gov.au/whitepaper/Docs/2016-Defence-White-Paper.pdf](http://www.defence.gov.au/whitepaper/Docs/2016-Defence-White-Paper.pdf)



## Climate change could destabilise economic diplomacy

Indonesia is particularly vulnerable to climate change. People living in regions near the equator are already living near the upper ranges of temperatures in which humans can survive. Increases in temperature, which Indonesia is already experiencing and will continue to experience, from climate change, will, at a minimum, make it much harder for people to work productively.<sup>5</sup> If temperatures rise enough, parts of Indonesia may become uninhabitable. A 2013 study suggests for

*Addressing climate change over the long term with Indonesia is thus in Australia's interests if the economic diplomacy model of relations is to persist.*

instance, that Jakarta may become uninhabitable sometime between the period of 2029 and 2042, depending on the level of greenhouse gas mitigation.<sup>6</sup>

The reason why some regions may become uninhabitable is because increases in temperature are also expected to compress Indonesia's

already high levels of rainfall into shorter time periods. At the same time, increases in global average temperatures are expected to continue to result in increases in sea levels.<sup>7</sup> Taken together, this creates a severe flood risk for coastal cities, which are some of the largest population centres in the country. Should these cities become uninhabitable, Indonesia could face a major problem with internally displaced people.

These predictions would be very significant indeed for the Australia-Indonesia relationship.<sup>8</sup> At one extreme, climate change could lead to a large-scale humanitarian emergency of displaced people at

<sup>5</sup> See Marshall Burke, Solomon M. Hsiang & Edward Miguel, "Global non-linear effect of temperature on economic production" (2015) *Nature* 527, 235–239.

<sup>6</sup> Camilo Mora has modelled the date of "climate departure" at which cities around the world will become uninhabitable: <http://www.soc.hawaii.edu/mora/PublicationsCopyRighted/Cities%20Timing.html>. Camilo Mora, Abby G. Frazier, Ryan J. Longman et al, "The projected timing of climate departure from recent variability" (2013) *Nature* 502, 183–187.

<sup>7</sup> See, for example, Rina Oktaviani, Syarifah Amaliah, Claudia Ringler et. al., "The Impact of Global Climate Change on the Indonesian Economy" (2011) *IFPRI Discussion Paper* 1148, available at, <http://ebrary.ifpri.org/cdm/ref/collection/p15738coll2/id/126762>.

<sup>8</sup> These risks are based on predictions of very complex climatic patterns and their social effects. Foreign policy makers are often required to make decisions on the basis of uncertain predictions about the future. Just as foreign policymakers need to use existing evidenced to make predictions about whether China's economic rise will lead to it becoming a stabilising or destabilising force in Asia, so too should they make decisions about climate change's impact using the best available evidence.

Australia's doorstep and at best climate change could diminish Indonesia's economic growth rate. The Asian Development Bank anticipates that if no action is taken to address climate change in this region, it may lose up to 11 per cent of its GDP by 2100.<sup>9</sup> A large reduction in GDP growth of this nature would quickly undermine the ability of the consuming class in Indonesia to buy Australian exports.

Addressing climate change over the long term with Indonesia is thus in Australia's interests if the economic diplomacy model of relations is to persist. This position seems to be accepted by parts of the Australian Government with the Defence white paper noting: "Climate change will be a major challenge for countries in Australia's immediate region ... these effects will exacerbate the challenges of population growth and environmental degradation, and will contribute to food shortages and undermine economic development."<sup>10</sup>

## Shared interests on climate change

While maritime borders mark the sovereign territorial limits of Australia and Indonesia, the impacts of climate change know no boundaries. And Australia's economy is not, and will not continue to be, spared by a changing climate. To take one example, a 2015 study on the impact of increased temperatures on labour productivity and absenteeism, shows that heat stress could cost the Australian economy billions of dollars.<sup>11</sup>

Aside from the economic impacts which they each face, Australia and Indonesia will also both face some consequences of climate change on the countries in our shared neighbourhood. The Indo-Pacific region includes other developing and highly vulnerable countries exposed to climate change. Climate impacts in mainland Southeast Asia, for instance, are likely to contribute to hundreds of thousands of internally displaced people.<sup>12</sup> Human displacements of this magnitude could have flow-on effects to both Indonesia and Australia.

<sup>9</sup> Asian Development Bank, "Southeast Asia and the Economics of Global Climate Stabilization" (2015), available at: <https://www.adb.org/publications/southeast-asia-and-economics-global-climate-stabilization>

<sup>10</sup> Paragraph 2.68 of the Australian Defence White Paper 2016, available at: [www.defence.gov.au/whitepaper/Docs/2016-Defence-White-Paper.pdf](http://www.defence.gov.au/whitepaper/Docs/2016-Defence-White-Paper.pdf)

<sup>11</sup> Kerstin K. Zander, Wouter J. W. Botzen, Elspeth Oppermann et. al., "Heat stress causes substantial labour productivity loss in Australia" (2015) *Nature Climate Change* 5, 647–651.

<sup>12</sup> Asian Development Bank, "Addressing Climate Change and Migration in Asia and the Pacific" (2012), available at: <https://www.adb.org/publications/addressing-climate-change-and-migration-asia-and-pacific>

Both countries also share ongoing difficulties in creating policies to address emission reductions in their own countries. Their carbon emission profiles are made up of greenhouse gases from similar sources with a major source of emissions from coal-based energy production and land use changes. Thus in both of their pledges to the United Nations to reduce emissions, Indonesia and Australia emphasised increasing their respective share of renewable energy.

Australia has been generating more of its energy from renewable sources in recent years and in the 2013-14 year, the share was around 15 per cent.<sup>13</sup> Indonesia's share of renewable energy

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*Climate impacts in mainland Southeast Asia, for instance, are likely to contribute to hundreds of thousands of internally displaced people. Human displacements of this magnitude could have flow-on effects to both Indonesia and Australia.*

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in its generating mix is lower, at around 6 per cent.<sup>14</sup> Nonetheless, in both countries, the share of renewable energy needs to grow to meet their respective emission reduction targets.

Both countries also share the experience of having unstable domestic climate change policy. In the 2010s both were led by politicians eager to take a global leadership position on climate change (the Rudd/Gillard Labor government

in Australia and President Susilo Bambang Yudhoyono in Indonesia), who introduced ambitious domestic climate change policies only to have these reshaped by the new administrations. Both countries now face the difficulty of balancing domestic political considerations and their international climate change pledges, and both are doing so in the context of having access to substantial coal resources.

The silver lining in the fact that Australia and Indonesia face shared risks in dealing with climate change impacts, and shared difficulties in developing sustained climate change policy; is that both countries can engage with each other on this topic on an equal footing. Where it is difficult to have a relationship between equals with Indonesia on some bilateral issues, climate change is an area where Australia has many shared interests with the country.

## Ideas for collaboration

Climate change has featured and continues to feature, in bilateral relations. During the previous Labor government, Australia ran a (now closed) large-scale aid project – the Indonesia-Australia Forest Carbon Partnership – aimed at assisting Indonesia to manage its emissions from the forestry sector. The current government has continued this emphasis on the land sector supporting programs to manage Indonesia's forest fires. While these aid programs are a useful start, it is time to consider climate change as a major plank of Australia's international relations with Indonesia and the region.

Here are two specific policy ideas which, with further analysis, could contribute to a comprehensive bilateral climate change program between Australia and Indonesia, and which would bring in stakeholders other than government to strengthen ties.

It is in both countries interests to take a leadership position on climate change and try and develop regional mechanisms early before climate change potentially creates large human displacements in the region. Such a mechanism could operate similarly to the Bali Process, in which Australia and Indonesia take a leadership role in discussions on people smuggling, human trafficking and international crime.

In addition to the security challenges, the Paris Agreement on Climate Change agreed at the end of last year, including by Australia and Indonesia, created a framework through which countries could collaborate on developing climate change policy. In this context, it would be useful to think

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more strategically about the ways that countries in the region could develop integrated responses to climate change. A Regional Climate Change Leadership Dialogue could consider questions such as: whether it would be possible to link emissions trading markets in the region over time, such as the Indonesian Climate Trust Fund and the Australian Emissions Reduction Fund;

if it would be possible build a Southeast Asia-wide emissions trading scheme, perhaps building off the ASEAN Economic Community; and whether new regional protocols should be developed on how countries could respond to the security and natural risks created by climate change.

<sup>13</sup> Australian Energy Update 2015, available at: <http://www.industry.gov.au/Office-of-the-Chief-Economist/Publications/Documents/aes/2015-australian-energy-statistics.pdf>

<sup>14</sup> Data from Ministry of Energy and Mineral Resources officials.

Indonesia aims to raise the share of renewable energy to 25 per cent by 2025, but it is starting from a very low base. There are a number of stumbling blocks to its ability to meet these renewable energy targets, including getting adequate finance to renewable energy projects and creating effective policy frameworks for renewables.<sup>15</sup>

An Australia-Indonesia Climate Change Innovation and Financing Facility could work collaboratively on major joint areas of policy and financial innovation which are currently inhibiting renewable energy growth in both countries. For example, Australian and Indonesian banks and public investors, such as Australia's Clean Energy Finance Corporation and PT SMI, an Indonesian state-owned infrastructure fund, could work together on developing financial instruments which would overcome the barriers to renewable energy project financing.

There is a precedent for foreign governments working with Indonesia on renewable energy. For instance, Hungary, Finland and Denmark have all developed renewable energy cooperation programs with Indonesia. Australia could play a more overarching role in policy development, reflecting its stronger interests and closer ties with Indonesia.

## Conclusions

Including climate change as a key pillar of Australia's engagement with Indonesia has multiple benefits. If its economic diplomacy approach with Indonesia is going to be successful, it is important that the Australian Government also take steps to support Indonesia to address the causes and impacts of climate change. On the evidence currently available, it is likely that climate change will disrupt Indonesia's economic growth. In any event, collaborating with Indonesia on climate change policy creates another potential pillar for Australia's economic engagement with the country, particularly in the renewable energy sector.

During the period before Australia and Indonesia develop a robust economic relationship,<sup>16</sup> and with the winding back of Australia's aid program, both

countries need to find productive ways of engaging which fit within the new bilateral dynamic. In this regard, climate change is a useful policy area on which both countries can work together. Not only do Australia and Indonesia have a great deal to lose and much to gain from an effective domestic and regional climate policy framework, but both countries share difficulties in climate change policy development. Climate change is thus a policy area for which Australia could work together with Indonesia on an equal basis, and in so doing, support the stability of a more "normal" bilateral relationship.

*Arjuna Dibley is Sir John Monash Scholar and a research fellow at Stanford University where he is carrying out research at the intersection of climate change law and policy and international relations.*

<sup>15</sup> The Australia Indonesia Centre has commissioned some valuable research projects to this effect, which could act as a starting point: <http://australiaindonesiacentre.org/clusters/energy/>

<sup>16</sup> There remains a long path ahead before a sizeable Australia-Indonesia economic relationship is realised. For instance, only around 2 per cent of Australia's goods exports (around \$5.5 billion) go to Indonesia, compared to Japan to which Australia exports around 15 per cent of Australian goods (at around \$50 billion).



# Contributors

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Professor Kent Anderson is Deputy Vice-Chancellor (Community and Engagement) at the University of Western Australia (UWA). He is an international lawyer who specialises in comparing Asian legal systems. He joined the University as Deputy Vice Chancellor (Community & Engagement) in 2014. He has an eclectic background, having completed tertiary studies in US, Japan, and the UK in Law, Politics, Economics and Asian Studies. He also worked as a marketing manager with a US regional airline in Alaska and as a commercial lawyer in Hawaii. Before joining UWA, Kent was Pro Vice Chancellor (International) at University of Adelaide and before that Dean of the then Faculty of Asian Studies at the Australian National University. He started his academic career as associate professor at Hokkaido University Law School in Japan. Kent is on the National Library of Australia Council, Ministerial Council for International Education, New Colombo Plan Advisory Board, Board of Canberra Grammar School, and a variety of academic and community boards, including President of The Asian Studies Association of Australia.

## Martijn Blanken

Martijn Blanken is the Group Managing Director and Chief Customer Officer of Global Enterprise and Services (GES), a \$6.5 billion Telstra business unit operating as a global scale, industry-based telecommunications services and solutions business. In this role, Martijn is responsible for Telstra's relationship with and sales to multinational corporations and international carriers across Asia, EMEA and the Americas including 1,900 large business, enterprise and government customers in Australia. In 2015 Martijn played a key role in Telstra's acquisition of Pacnet Ltd, an Asian headquartered provider of connectivity, managed services and data centres, and Globecast Australia, a leading provider of media services for broadcasters. Martijn has extensive experience across sales, product management, service delivery and service management and is also a member of

the executive committee of Telstra Corporation. Prior to his current role, Martijn was Managing Director, Telstra Global, from October 2012. Before that he was the Chief Operating Officer, a position he was appointed to when he joined Telstra Global early 2011. When he initially joined Telstra in July 2009, Martijn held the role of Executive Director, Network & Application Services. In this capacity he managed a strategic repositioning program to drive growth in the managed services market. Prior to joining Telstra, Martijn was the General Manager and Vice President, Asia Pacific and Japan for Openwave Systems. He has also held several senior positions at KPN Royal Dutch Telecom, most recently as Senior Vice President and Managing Director of the Managed Services and Outsourcing Division, and held nonexecutive directorships for several KPN Royal Dutch Telecom joint ventures. Martijn holds a MBA from the University of Groningen (Netherlands).

## David Brewster

David Brewster is one of Australia's leading academic experts on strategy and security in South Asia and the Indian Ocean region. He originally trained as a lawyer and practiced in corporate law for around 20 years, including in Washington DC, New York, London, Paris and Sydney. He is now a Senior Research Fellow at the National Security College and a Distinguished Research Fellow with the Australia India Institute, University of Melbourne. He writes widely on Indian strategic affairs and maritime security in the Indian Ocean region. Major books include *India as an Asia Pacific power*, about India's strategic role in the Asia Pacific and *India's Ocean: the story of India's bid for regional leadership* which examines India's strategic ambitions in the Indian Ocean. His recent work includes *India and China at Sea: A Contest of Status and Legitimacy in the Indian Ocean*, which examines the India-China maritime dynamic and *Australia, India and the United States: The challenge of forging new alignments in the Indo-Pacific*, which examines the potential for a trilateral security and defence relationship between those countries.

## **Katie Calvey**

Katie Calvey is an Australian public policy specialist who has dedicated most of her decade-long career on developing government reforms which have been instrumental in driving social change and positive outcomes. Her experience includes providing strategic advice on complex and diverse issues ranging from education policy, social justice to legal reform. Katie has advised and worked for a number of high performing organisations including the Office of the Australian Prime Minister, NSW Education Standards Authority and the Royal Commission into Institutional Responses for Child Sexual Abuse. At the Royal Commission, Katie contributed to researching and writing its two volume Interim Report which detailed its work since establishment of investigating institutional child sexual abuse in Australia. As a result of the Interim Report, the Royal Commission successfully persuaded the Australian Government to agree to extend its duration and funding to continue its work of public importance. As the daughter of Vietnamese refugees who migrated to Australia in the 1980s, Katie is personally devoted to promoting issues concerning equal opportunity and social justice in society. Since 2015, Katie has been involved in diversity and inclusion advocacy with DAWN through leading initiatives like the Asian Australian Leadership Conversations.

## **Arjuna Dibley**

Arjuna Dibley is a John Monash Scholar and a Fellow at Stanford University where he is carrying out research at the intersection of climate change law and policy and international relations. Arjuna is an Associate at the University of Melbourne's Centre for Indonesian Law, Islam and Society, the Founding President and now Advisory Board member of the Australia-Indonesia Youth Association and previously worked on climate change law and policy internationally at Baker & McKenzie.

## **Greg Earl**

Greg Earl was the deputy editor, opinion editor, national affairs editor and Asia Pacific editor of *The Australian Financial Review*. He is now researching a book about Australia and Asia and writes a column on economic diplomacy for The Lowy Institute's *The Interpreter*. He spent more than a decade as a reporter based in Jakarta, Tokyo and New York. He is a member of the Australia-ASEAN Council board, the Australian National University Indonesia Project advisory board and a former member of the Australia Japan Foundation board. Last year he participated in the Australia-Indonesia Dialogue in Yogyakarta, the ASEAN-Australia-New Zealand Dialogue in Kuala Lumpur, the Australia-India Policy Forum in New Delhi and revisited the Philippines town where he was an exchange student.

## **John Endicott**

John Endicott is a specialist in planning and design of underground structures. He is an AECOM Fellow in recognition of his a lifetime of experience. He was a Scholar at St Catharine's College and stayed on at Cambridge to complete a PhD in 1971. He is now a Fellow Commoner at the college. He is also an Adjunct Professor at University of Hong Kong and at Hong Kong University of Science and Technology. He has been based in Hong Kong since 1975 and built up a specialist practice in ground engineering with up to 500 staff. His current area of responsibility extends from the Middle East to Australia. He served on the Council of the Hong Kong Institution of Engineers and as a Member of the Hong Kong Town Planning Board. He has also served on the International Panel of Experts to the Urban Redevelopment Authority as a specialist in development of occupiable underground space.

## David Epstein

David Epstein is an experienced corporate affairs executive with a background in regulatory and public affairs, internationally and in Australia. His career spans public and private sectors, including as a senior ministerial adviser serving under three prime ministers, culminating as chief of staff to the prime minister, as well as executive roles at BHP Billiton, Qantas and Optus. He is a director of Opera Australia, TIO Limited, the European Australian Business Council, The Asia Society Australia and the Committee For Sydney. Educated at The ANU and Wharton (UPenn), he is keen photographer and occasional writer in his spare time. He also sits on the Advisory Board of the HeadOn Photo Festival Foundation and has been a semi-finalist for Moran Contemporary Photographic Prize.

## Philipp Ivanov

Philipp is a Chief Executive Officer of Asia Society Australia and is leading the group through an exciting period of growth and transformation. Previously, he was a policy officer and Manager of the Australia-China Council at the Australian Government's Department of Foreign Affairs and Trade. Philipp was one of the principal authors of the *Australia in the Asian Century White Paper – China Country Strategy*. Previously, Philipp was Acting Director and Deputy Director of the Research Institute for Asia and the Pacific at the University of Sydney, advised the University of Sydney on China strategy and managed La Trobe University's partnerships in the Gulf States, Vietnam and Thailand. Philipp spent over 6 years in China working in education and development. He is the recipient of the 'Rose Award' by Shenyang Municipal Government for his contribution to Shenyang City. In 2009 he was awarded the Australian Government's Endeavour Executive Fellowship to research China's policies on leadership development at the China National Academy of Education Administration in Beijing. He is a board member of Asia Recon, Haymarket HQ, Australia-Vietnam Young Leadership Dialogue and Sydney City Council's Chinese New Year Advisory Panel. He is the only Australian delegate to the 2015 Congress of Vienna – a preeminent global track-two network on major powers conflict, migration, equality and innovation. Philipp has a Bachelor (Honours) degree in Chinese language and history from the Far Eastern Federal University in Russia. He studied in Jilin and Liaoning Normal universities in China. He holds a Master of Educational Leadership and Management from RMIT University in Australia. He grew up in Vladivostok on Russia's Pacific coast and is a fluent Chinese and Russian speaker.

## Linda Jakobson

Linda Jakobson is the founding director and CEO of China Matters, an Australian public policy initiative that aims to inject nuance into discussions of China and advance sound China policy. She has been a student of Chinese politics and China's foreign and security policy for the past three decades. She is internationally known for her publications about China's foreign policy. She is the co-author, with Dr Bates Gill, of a new book *China Matters: Getting it right for Australia* (Black Inc. March 2017). Her China-related career includes posts as a teacher (at the Shandong Institute of Economics in China), a lecturer (at Hong Kong City University), a foreign correspondent (in Beijing), a visiting professor (at Sydney University), and senior researcher and program director (at the Finnish Institute of International Affairs, Stockholm International Peace Research Institute (SIPRI), and the Lowy Institute for International Policy. She has served as a policy advisor on China-related issues to the president, prime minister, or foreign minister in seven countries. Before moving to Sydney in 2011 Jakobson lived and worked in China for 22 years. She is the author, co-author or co-editor of six books about Chinese and East Asian politics and society as well as the author of over 100 other publications about Chinese politics and society, China's foreign and security policy, the Taiwan Straits, China's science and technology, and China's Arctic aspirations. Two of her books and one report have received awards. She established China Matters Ltd in 2015. A Mandarin speaker, Jakobson was a Fellow at the Kennedy School at Harvard University in 1990.

## Dai Le

Named one of AFR-Westpac's Top 100 Influential Women in Australia in 2014, Dai has over two decades of storytelling skills and change making experience. Dai's mission is to help build an inclusive society where mainstream institutions and organisations truly reflect the diverse society we live in. As a former award-winning journalist, film-maker and broadcaster with the Australian Broadcasting Corporation, Dai has a unique understanding of the challenges that people of culturally diverse backgrounds face in progressing their leadership positions in public and private organisations. She has been a passionate advocate for the community and has been actively championing for the visibility of Asian Australian and culturally diverse leadership. Dai is currently a board member of Multicultural NSW and an advisory board member of the Australian Vietnamese Young Leaders Dialogue.

She was formerly Community Commissioner of Multicultural NSW; a former board member for STARTTS (NSW Service for the Treatment and Rehabilitation of Torture and Trauma Survivors), and a former board member for Global Sisters, a not-for-profit start-up that focuses on building economic independence among migrant and refugee women. Dai was an election candidate in the NSW State seat of Cabramatta in 2008 where she achieved historic results, shocking the media and political pundits. In September 2012, Dai was elected as Councillor to Fairfield City Council. Dai was born in Saigon, Vietnam and spent years in refugee camps in South East Asia before being accepted for resettlement in Australia, arriving with her mother and two younger sisters in December 1979. She is also a breast cancer survivor.

### **Bruce McKern**

Professor Bruce McKern is an educator and corporate advisor on innovation and strategy and a Professor in the UTS Business School, University of Technology Sydney. He is also an aspiring angel investor. Recently he has been a Visiting Research Fellow at the University of Oxford; INSEAD; and The Hoover Institution, Stanford University. He was formerly Professor of International Business and Co-Director of the Centre on China Innovation, China Europe International Business School, Shanghai; Director of the Sloan Master's Program, Stanford Graduate School of Business; and President of the Carnegie Bosch Institute at Carnegie Mellon University.

### **Jacqueline Nelson**

Dr Jacqueline Nelson is a Chancellors Postdoctoral Fellow at the University of Technology Sydney. She is interested in how racism manifests and exploring how we can respond to racism, both as individuals and by challenging cultures and practices that reproduce racism and inequality. Her areas of interest include racism in families, local or place-based responses to racism and denial of racism.

### **Dermot O'Gorman**

Dermot O'Gorman has been interested in conservation since a childhood spent exploring the bush and pristine waters of the NSW south coast. His first job was as a ranger with the NSW Parks & Wildlife Service. He has an MBA from the International Institute for Management Development (IMD) in Switzerland, a Master of Science from the London School of Economics

and environmental/conservation science degrees from the University of London and Southern Cross University. Dermot joined WWF in 1998, working first in the UK Office and then rising through the ranks to become CEO of WWF-China, CEO of WWF-Pacific and, since 2010, CEO of WWF-Australia. He has developed WWF strategy on sustainable fisheries in the Pacific, low carbon cities in China, protected areas in Antarctica and the Southern Ocean, and sustainable production – especially in sugar, seafood, beef and palm oil. He is passionate about the big picture of conservation: how to provide sustainable food and energy for seven billion people while maintaining space for nature. Dermot believes strongly in the power of collaboration and partnerships to protect our natural world, and the ability of digital technologies to empower people globally to be a voice for nature. Under Dermot's leadership, these themes are central to WWF-Australia's work. He has overseen substantial growth in WWF-Australia's supporter base to nearly 1 million supporters, improving the organisation's reach, influence and impact. With Dermot at the helm, WWF-Australia has undertaken a unique combination of on-the-ground field projects, strategic partnerships with business and government, and powerful advocacy campaigns.

### **Andrew Parker**

Andrew is a Partner at PwC where he leads the Australian firm's Asia Practice. Andrew joined Price Waterhouse in 1985, became a partner in 1999 and spent 12 years in PwC's London, Moscow and Jakarta offices. Andrew has had a long association with Asia having lived and worked in Indonesia and was the leader of PwC's Asian telecoms industry team until 2012, a role he held for nearly 10 years. He is a director of China Matters and the Australia Indonesia Centre at Monash University, an executive committee member of the Australia Japan Business Cooperation Committee and a member of the Advisory Board of the Asia Society. Andrew was the lead author of PwC's landmark report on Australia's lack of business investment in Asia titled *Passing us by* and is a regular commentator in the media and presenter at forums on Asian trade and investment in Australia and Australian trade and investment in Asia. He is a fellow of the Institute of Chartered Accountants and has a Bachelor of Economics from Macquarie University in Sydney

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Anushka Patel is a Professor of Medicine at The University of Sydney and a cardiologist at Royal Prince Alfred Hospital in Sydney, Australia. She undertook her medical training at the University of Queensland, with subsequent postgraduate research degrees from Harvard University and the University of Sydney. As the Chief Scientist of the George Institute for Global Health, she has a key role in developing and supporting global strategic initiatives across the organisation. Her personal research interests focus on developing innovative solutions for delivering affordable and effective cardiovascular care in the community and in acute care hospital settings. Anushka currently leads research projects relating to these interests in Australia, China and India. She is supported by a Senior Research Fellowship from the Australian National Health and Medical Research Council.

## Dallas Rogers

Dr Dallas Rogers is a Senior Lecturer in the Faculty of Architecture, Design and Planning at the University of Sydney. His research investigates housing poverty and wealth in global cities, foreign investment and changing Asia-Australia economic, technology and cultural relations. He is the author of two books, *The Geopolitics of Real Estate: Reconfiguring Property, Capital and Rights* and *Housing In 21st Century Australia: People, Practices And Policies*.

## James Rosenwax

James Rosenwax leads AECOM's team helping cities overcome challenges and building better futures across Australia and New Zealand as the Market Sector Director – Cities. Graduating with a Bachelor's Degree in Landscape Architecture from the University of New South Wales, James practiced as a landscape architect and environmental manager for eleven years at PSB, before it joined AECOM in July 2006. He has completed his Masters studies in Environmental Management at Sydney's Macquarie University. James' background in landscape architecture, environmental management and business leadership gives him a unique point of view when providing strategic advice and direction on multidisciplinary urban development, city shaping infrastructure and public realm projects, at local and international scales. When required James draws on the diverse skills across the company to help make cities better places in which to live, do business and coexist with nature. James' philosophy is rooted in his desire to reframe the questions arising when

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Tomohiko Satake is a Senior Research Fellow at the National Institute of Defense Studies in Japan and a Visiting Fellow at the Australia-Japan Research Centre at The Australian National University. His research interests and expertise are in alliance studies, Asia-Pacific Security, and Japanese defence and security policy. Dr Satake was previously the Deputy Director for International Security at the International Policy Division at the Defense Policy Bureau of the Ministry of Defense, Japan. He earned his BA and MA at Keio University, and PhD in International Relations at ANU.

## Tim Soutphommasane

Dr Tim Soutphommasane has been Race Discrimination Commissioner since August 2013. Prior to joining the Australian Human Rights Commission, Tim was a political philosopher and held posts at The University of Sydney and Monash University. His thinking on multiculturalism, patriotism and national identity has been influential in shaping debates in Australia and Britain. Tim is the author of four books: *I'm Not Racist But ...* (2015), *The Virtuous Citizen* (2012), *Don't Go Back To Where You Came From* (2012), and *Reclaiming Patriotism* (2009). He was co-editor (with Nick Dyrenfurth) of *All That's Left* (2010). He has been an opinion columnist with *The Age* and *The Weekend Australian* newspapers, and presented the documentary series *Mongrel Nation* on ABC Radio National (2013). Tim is an adjunct professor at the School of Social Sciences and Psychology, Western Sydney University and chairs the Leadership Council on Cultural Diversity. Born in France and raised in southwest Sydney, Tim holds a Doctor of Philosophy and Master of Philosophy (with Distinction) from the University of Oxford, and is a first-class honours graduate of The University of Sydney.



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Wanning Sun is Professor of Media and Communication Studies, Faculty of Arts and Social Sciences, University of Technology Sydney (UTS). She is also a Fellow of Australian Academy of the Humanities (FAHA). She is best known for her research on Chinese media and culture, diasporic Chinese media, and rural-to-urban migration in China. Her monographs include *Leaving China: Media, Migration, and Transnational Imagination* (2002) and *Subaltern China: Rural Migrants, Media and Cultural Practices* (2014). She also edited two volumes on media and the Chinese diaspora: *Media and the Chinese Diaspora: Communication, Community and Commerce* (2006), and *Media and Communication in the Chinese Diaspora: Rethinking Transnationalism* (2016, with J. Sinclair). She recently published a commissioned report *Chinese-Language Media in Australia: Developments, Challenges and Opportunities* (ACRI 2016).

## Alexandra Wong

Dr Alexandra Wong is an Engaged Research Fellow at the Institute for Culture and Society, Western Sydney University. Her research explores the interplay of innovation/creativity, culture and urban theories and covers a wide range of topics such as cultural economy, knowledge cities, migration, housing, multiculturalism and entrepreneurship. She has recently completed several research projects, including an ARC Linkage Project (2012-2015) on Sydney's Chinatown and a cultural mapping project commissioned by the City of Sydney (2016). Currently, she is working on a book about small firms and an ARC Discovery Project (2017-2019) about the heritage corridor between Australia and China.

## Richard Woolcott

Richard Woolcott has held positions as Australia's ambassador to Indonesia and The Philippines, as well as High Commissioner to Malaysia, Ghana and Singapore. He was the Australian Ambassador to the United Nations from 1982 to 1988, and served as the President of the United Nations Security Council for Australia's term in 1985-86. He also served as Secretary of the Department of Foreign Affairs and Trade (DFAT) from 1988 to 1992. He was a founding director of the Asia Society in Australia in 1997. He is the author of *The Hot Seat: Reflections on Diplomacy from Stalin's Death to the Bali Bombings* (2003) and *Undiplomatic Activities* (2007).



# Acknowledgements

*The idea for Disruptive Asia grew out of numerous conversations I have had with the board, advisory councillors, corporate members and supporters of Asia Society Australia. It struck me how the wealth of knowledge and diversity of perspectives on Australia's future in Asia that my interlocutors displayed have not been captured in any form in our policy-making or public debate on Asia.*

*Disruptive Asia* was also driven by the conviction that the Asia debate has long ceased to be an exclusive intellectual domain of foreign policy and security elite and a handful of Asia-connected business executives. Asia's ascendancy and the resulting geopolitical, geoeconomic and geosocial shifts affect virtually all facets of Australian life. *Disruptive Asia* is a humble attempt to re-start the conversation about the impact of Asia on Australia and our place in the region that seems to have withered in the last five years.

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